Ontario Energy Board

Commission de l'énergie de l'Ontario

Ontario

EB-2011-0177

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 Kenora Hydro Electric Corporation for an order or orders approving or fixing just and reasonable distribution rates and other charges, to be effective May 1, 2012.

BEFORE: Paula Conboy
Presiding Member

DECISION AND ORDER
November 1, 2012

Introduction

Kenora Hydro Electric Corporation ("Kenora Hydro"), a licensed distributor of electricity, filed an application with the Ontario Energy Board (the "Board") on October 14, 2011 under section 78 of the *Ontario Energy Board Act*, *1998*, S.O. 1998, c. 15, (Schedule B), seeking approval for changes to the rates that Kenora Hydro charges for electricity distribution, to be effective May 1, 2012. The Board put the application in abeyance until such time as Kenora Hydro filed evidence in support of the disposition of Account 1562 – Deferred Payments in Lieu of Taxes ("PILs"). Kenora Hydro filed the evidence related to the disposition of Account 1562 on July 18, 2012 and requested an effective date of October 1, 2012 for this element of its application.

Kenora Hydro is one of 77 electricity distributors in Ontario regulated by the Board. The *Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors* (the "IR Report"), issued on July 14, 2008, established a three year plan term for 3rd generation Incentive Regulation Mechanism ("IRM") (i.e., rebasing plus three years). In its October 27, 2010 letter regarding the development of a Renewed Regulatory Framework for Electricity ("RRFE"), the Board announced that it was extending the 3rd generation IRM plan until such time as the RRFE policy initiatives have been substantially completed. As part of the plan, Kenora Hydro is one of the electricity distributors that will have its rates adjusted for 2012 on the basis of the IRM process, which provides for a mechanistic and formulaic adjustment to distribution rates and charges between cost of service applications.

To streamline the process for the approval of distribution rates and charges for distributors, the Board issued its IR Report, its *Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors* on September 17, 2008 (the "*Supplemental Report*"), and its *Addendum to the Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors* on January 28, 2009 (collectively the "Reports"). Among other things, the Reports contain the relevant guidelines for 2012 rate adjustments for distributors applying for distribution rate adjustments pursuant to the IRM process. On June 22, 2011 the Board issued an update to Chapter 3 of the Board's *Filing Requirements for Transmission and Distribution Applications* (the "Filing Requirements"), which outlines the Filing Requirements for 2012 IRM applications based on the policies in the Reports.

Notice of Kenora Hydro's rate application was given through newspaper publication in Kenora Hydro's service area advising interested parties where the rate application could be viewed and advising how they could intervene in the proceeding or comment on the application. No letters of comment were received. The Notice of Application indicated that intervenors would be eligible for cost awards with respect to Kenora Hydro's proposed revenue-to-cost ratio adjustments and its request for lost revenue adjustment mechanism ("LRAM") recoveries. The Vulnerable Energy Consumers Coalition ("VECC") applied for and was granted intervenor status in this proceeding. The Board granted VECC eligibility for cost awards in regards to Kenora Hydro's request for LRAM recoveries and proposed revenue-to-cost ratio adjustments. Board staff also participated in the proceeding. The Board proceeded by way of a written hearing.

While the Board has considered the entire record in this proceeding, it has made reference only to such evidence as is necessary to provide context to its findings. The following issues are addressed in this Decision and Order:

- Price Cap Index Adjustment;
- Rural or Remote Electricity Rate Protection;
- Revenue-to-Cost Ratio Adjustments;
- Shared Tax Savings Adjustments;
- Retail Transmission Service Rates;
- Review and Disposition of Group 1 Deferral and Variance Account Balances;
- Review and Disposition of Account 1521: Special Purpose Charge;
- Review and Disposition of Account 1562: Deferred Payments in Lieu of Taxes;
- Review and Disposition of Lost Revenue Adjustment Mechanism; and
- Effective Date of the Rate Change

Price Cap Index Adjustment

As outlined in the Reports, distribution rates under the 3rd Generation IRM are to be adjusted by a price escalator, less a productivity factor of 0.72% and a stretch factor.

On March 13, 2012, the Board announced a price escalator of 2.0% for those distributors under IRM that have a rate year commencing May 1, 2012.

The stretch factors are assigned to distributors based on the results of two benchmarking evaluations to divide the Ontario industry into three efficiency cohorts. In its letter to Licensed Electricity Distributors dated December 1, 2011 the Board assigned to Kenora Hydro efficiency cohort 2 and a cohort specific stretch factor of 0.4%.

On that basis, the resulting price cap index adjustment is 0.88%. The price cap index adjustment applies to distribution rates (fixed and variable charges) uniformly across customer classes that are not eligible for Rural or Remote Electricity Rate Protection. The price cap index adjustment will not apply to the following components of delivery rates:

- Rate Riders;
- Rate Adders;
- Low Voltage Service Charges;
- Retail Transmission Service Rates;
- Wholesale Market Service Rate;
- Rural Rate Protection Charge;
- Standard Supply service – Administrative Charge;

- Transformation and Primary Metering Allowances;
- Loss Factors;
- Specific Service Charges;
- MicroFIT Service Charges; and
- Retail Service Charges.

Rural or Remote Electricity Rate Protection

On December 21, 2011, the Board issued a Decision with Reasons and Rate Order (EB-2011-0405) establishing the Rural or Remote Electricity Rate Protection (“RRRP”) benefit and charge for 2012. The Board amended the RRRP charge to be collected by the Independent Electricity System Operator from the current $0.0013 per kWh to $0.0011 per kWh effective May 1, 2012. The final Tariff of Rates and Charges shall reflect the new RRRP charge.

Revenue-to-Cost Ratio Adjustments

Revenue-to-cost ratios measure the relationship between the revenues expected from a class of customers and the level of costs allocated to that class. The Board has established target ratio ranges (the “Target Ranges”) for Ontario electricity distributors in its report *Application of Cost Allocation for Electricity Distributors*, dated November 28, 2007 and in its updated report *Review of Electricity Distribution Cost Allocation Policy,* dated March 31, 2011.

As directed by the Board in Kenora Hydro’s 2011 cost of service allocation (EB-2010-0135), Kenora Hydro adjusted its revenue-to-cost ratios for the Unmetered Scattered Load rate class from 138% in 2011 to 129% in 2012. The revenue shortfall would be recovered from the General Service > 50 kW rate class.

The table below outlines the proposed revenue-to-cost ratios.

Rate Class	Current 2011 Ratio	Proposed 2012 Ratio	Target Range
Residential	101%	101%	85 – 115
General Service Less Than 50 kW	80%	80%	80 – 120
General Service 50 to 4,999 kW	125%	125%	80 – 180

Unmetered Scattered Load	138%	129%	80 – 120
Street Lighting	77%	77%	70 – 120

Both Board staff and VECC submitted that the proposed revenue-to-cost ratio adjustments were in accordance with the Board's Decision in Kenora Hydro's 2011 cost of service proceeding (EB-2010-0135).

The Board agrees that the proposed revenue-to-cost ratios adjustments are consistent with the decision arising from Kenora Hydro's 2011 cost of service proceeding and therefore approves the revenue-to-cost ratios as filed.

Shared Tax Savings Adjustments

In its Supplemental Report, the Board determined that a 50/50 sharing of the impact of currently known legislated tax changes, as applied to the tax level reflected in the Board-approved base rates for a distributor, is appropriate.

The calculated annual tax reduction over the IRM plan term will be allocated to customer rate classes on the basis of the Board-approved base-year distribution revenue. These amounts will be refunded to customers each year of the plan term, over a 12-month period, through a volumetric rate rider using annualized consumption by customer class underlying the Board-approved base rates.

As calculated in the 2012 Tax Sharing Workform, there is no impact of the currently known legislated tax changes on Kenora Hydro.

Retail Transmission Service Rates

Electricity distributors are charged the Ontario Uniform Transmission Rates ("UTRs") at the wholesale level and subsequently pass these charges on to their distribution customers through the Retail Transmission Service Rates ("RTSRs"). Variance accounts are used to capture timing differences and differences in the rate that a distributor pays for wholesale transmission service compared to the retail rate that the distributor is authorized to charge when billing its customers (i.e. variance Accounts 1584 and 1586).

On June 22, 2011 the Board issued revision 3.0 of the *Guideline G-2008-0001 - Electricity Distribution Retail Transmission Service Rates* (the “RTSR Guideline”). The RTSR Guideline outlines the information that the Board requires electricity distributors to file to adjust their RTSRs for 2012. The RTSR Guideline requires electricity distributors to adjust their RTSRs based on a comparison of historical transmission costs adjusted for the new UTR levels and the revenues generated under existing RTSRs. The objective of resetting the rates is to minimize the prospective balances in Accounts 1584 and 1586. In order to assist electricity distributors in the calculation of the distributors’ specific RTSRs, Board staff provided a filing module.

On December 20, 2011 the Board issued its Rate Order for Hydro One Transmission (EB-2011-0268) which adjusted the UTRs effective January 1, 2012, as shown in the following table:

2012 Uniform Transmission Rates

Network Service Rate	$3.57 per kW
<u>Connection Service Rates</u>	
Line Connection Service Rate	$0.80 per kW
Transformation Connection Service Rate	$1.86 per kW

The Board finds that these 2012 UTRs are to be incorporated into the filing module.

Review and Disposition of Group 1 Deferral and Variance Account Balances

The *Report of the Board on Electricity Distributors’ Deferral and Variance Account Review Initiative* (the “EDDVAR Report”) provides that, during the IRM plan term, the distributor’s Group 1 account balances will be reviewed and disposed if the preset disposition threshold of $0.001 per kWh (debit or credit) is exceeded. The onus is on the distributor to justify why any account balance in excess of the threshold should not be disposed.

Kenora Hydro’s 2010 actual year-end balance for Group 1 Accounts including interest projected to April 30, 2012 is a credit of $134,080. This amount results in a total claim of -$0.00123 per kWh, which exceeds the preset disposition threshold. Kenora Hydro proposed to dispose of this credit amount over a one-year period.

The table below identifies the principal and interest amounts proposed for disposition for Group 1 Accounts.

Account Name	Account Number	Principal Balance	Interest Balance	Total Claim
RSVA - Wholesale Market Service Charge	1580	-$ 117,269	-$ 5,160	-$ 122,429
RSVA - Retail Transmission Network Charge	1584	-$ 11,266	-$ 190	-$ 11,456
RSVA - Retail Transmission Connection Charge	1586	$ 30,643	-$ 3,371	$ 27,272
RSVA - Power (excluding Global Adjustment)	1588	-$ 11,220	$ 934	-$ 10,286
RSVA - Power - Sub-Account - Global Adjustment	1588	-$ 21,658	$ 100	-$ 21,558
Recovery of Regulatory Asset Balances	1590	$ 111,414	-$ 107,037	$ 4,377
Group 1 Total				-$ 134,080

In its submission, Board staff noted that the principal amounts to be disposed of as of December 31, 2010 reconcile with the amounts reported as part of the *Reporting and Record-Keeping Requirements*. Board staff submitted that the principal balance should be disposed of on a final basis and that the carrying charges should be updated at a later date to reflect the implementation date of the Board's Decision and Order. Board staff also noted that the Kenora Hydro's request for a one-year disposition period is consistent with the guidelines outlined in the EDDVAR Report.

In its reply submission, Kenora Hydro agreed that the carrying charges on the Group 1 Accounts should be updated to reflect the implementation date of the Board's Decision and Order. Kenora Hydro noted that on receipt of the Decision and Order, Kenora Hydro will update and file the revised carrying charges and totals for disposal over a one-year period.

The Board approves, on a final basis, the disposition of a credit balance of $134,080 as of December 2010. The Board agrees with Kenora Hydro and Board staff that carrying charges should be updated to reflect the implementation date of this Decision and Order. The Board approves a disposition period of one year from November 1, 2012 to October 31, 2013.

For accounting and reporting purposes, the respective balance of each Group 1 account approved for disposition shall be transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595 pursuant to the requirements specified in Article 220, Account Descriptions, of the *Accounting Procedures Handbook for Electricity Distributors*. The date of the journal entry to transfer the approved account balances to the sub-accounts of Account 1595 is the date on which disposition of the balances is effective in rates, which generally is the start of the rate year (e.g. May 1).

This entry should be completed on a timely basis to ensure that these adjustments are included in the 4th Quarter 2012 RRR data reported.

Review and Disposition of Account 1521: Special Purpose Charge

The Board authorized Account 1521, Special Purpose Charge Assessment ("SPC") Variance Account in accordance with Section 8 of Ontario Regulation 66/10 (Assessments for Ministry of Energy and Infrastructure Conservation and Renewable Energy Program Costs) (the "SPC Regulation"). Accordingly, any difference between (a) the amount remitted to the Minister of Finance for the distributor's SPC assessment and (b) the amounts recovered from customers on account of the assessment were to be recorded in "Sub-account 2010 SPC Assessment Variance" of Account 1521.

In accordance with Section 8 of the SPC Regulation, distributors are required to apply no later than April 15, 2012 for an order authorizing the disposition of any residual balance in sub-account 2010 SPC Assessment Variance. The Filing Requirements state the Board's expectation that requests for disposition of this account balance would be heard as part of the proceedings to set rates for the 2012 year.

In its manager's summary, Kenora Hydro did not request the disposition of Account 1521 since collections were in progress during 2011.

In response to Board staff interrogatory #5, Kenora Hydro provided information related to the balances in Account 1521 and confirmed that the balances were subject to the annual financial audit for both 2010 and 2011.

In its submission, Board staff had no concerns with the balances in Account 1521 presented by Kenora Hydro. Board staff submitted that the Board should authorize the disposition, on a final basis, of Account 1521 as of December 31, 2010, plus the amount recovered from customers in 2011, including carrying charges as of the implementation date of the Board's Decision and Order. Board staff further submitted that consistent with the disposition period for Group 1 Accounts, a disposition period of one-year should be authorized.

In its reply submission, Kenora Hydro agreed that the carrying charges on the Account 1521 should be updated to reflect the implementation date of the Board's Decision and Order. Kenora Hydro noted that on receipt of the Decision and Order, Kenora Hydro will update and file the revised carrying charges and totals for disposal over a one-year period.

The Board approves, on a final basis, Kenora Hydro's request for the disposition of the Account 1521 over a one-year period, consistent with the Board's findings on Kenora Hydro's Group 1 Deferral and Variance account balances. The Board directs Kenora Hydro to close Account 1521 as of December 1, 2012.

For accounting and reporting purposes, the balance of Account 1521 shall be transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595 pursuant to the requirements specified in Article 220, Account Descriptions, of the *Accounting Procedures Handbook for Electricity Distributors*. The date of the journal entry to transfer the approved account balances to the sub-accounts of Account 1595 is the date on which disposition of the balances is effective in rates, which generally is the start of the rate year (e.g. May 1). This entry should be completed on a timely basis to ensure that these adjustments are included in the 4th Quarter 2012 RRR data reported.

Review and Disposition of Account 1562: Deferred Payments in Lieu of Taxes

In 2001, the Board approved a regulatory payments in lieu of taxes ("PILs") proxy approach for rate applications coupled with a true-up mechanism filed under the RRR to account for changes in tax legislation and rules and to true-up between certain proxy amounts used to set rates and the actual amount of taxes paid. The variances resulting from the true-up were tracked in Account 1562 for the period 2001 through April 30, 2006.

On November 28, 2008, pursuant to sections 78, 19 (4) and 21 (5) of the *Ontario Energy Board Act, 1998*, the Board commenced a Combined Proceeding (EB-2008-0381) on its own motion to determine the accuracy of the final account balances with respect to Account 1562 Deferred Payments in Lieu of Taxes ("Deferred PILs") (for the period October 1, 2001 to April 30, 2006) for certain electricity distributors that filed 2008 and 2009 distribution rate applications.

The Notice in the Combined Proceeding included a statement of the Board's expectation that the decision resulting from the Combined Proceeding would be used to determine the final account balances with respect to Account 1562 Deferred PILs for the remaining distributors. In its decision and order, the Board stated that: "Each remaining distributor will be expected to apply for final disposition of account 1562 with its next general rates application (either IRM or cost of service)."[1]

[1] EB-2008-0381 Account 1562 Deferred PILs Combined Proceeding, Decision and Order, p. 28

Kenora Hydro applied to dispose of a credit balance of $134,264 which included a principal balance of a credit of $112,909 and carrying charges of $21,355.

In response to Board staff interrogatories, Kenora Hydro filed revised SIMPIL[2] models and a PILs continuity schedule in its responses. The final balance did not change. Kenora Hydro requested to dispose of a credit balance of $134,264 including carrying charges up to September 30, 2012 over a 31-month period commencing October 1, 2012 and ending on April 30, 2015.

PILs Proxy Entitlements from October 1, 2001 to April 30, 2002

In its PILs continuity schedule, Kenora Hydro recorded its entitlement to the 2001 PILs proxy starting on October 1, 2001 and the 2002 PILs proxy on January 1, 2002.

In its submission, Board staff noted that since Kenora Hydro amended its applications for rate adjustments on February 4th, April 2nd and April 4th, 2002, the effective date of the 2002 rates including the 2001 and 2002 proxies was delayed to May 1, 2002 at the request of Kenora Hydro. Board staff questioned whether the Board-approved accounting guidance for distributors following the standard application timing should not apply.

Board staff submitted that the PILs proxy should be pro-rated for the period from May 1, 2002 to March 31, 2004. The sum of the 2001 PILs proxy of $55,592 and the 2002 PILs proxy of $158,629 is $214,221. The rates were determined based on a twelve month rate year which implies a monthly PILs proxy amount of $17,852 ($214,221/12) for the 23 months. Using this monthly entitlement, Board staff calculated the total for the period shown as $410,590 ($17,852 x 23). Board staff noted that Kenora Hydro has shown recoveries of $401,014 for the same period of May 1, 2002 to March 31, 2004 in its continuity schedule.

Board staff also submitted that the proxy recognition recorded in the PILs continuity schedule should be based on the number of months between May 1, 2002 and the next rate change approved by the Board that Kenora Hydro implemented on April 1, 2004[3] which will result in a lower proxy that reflects the number of months of collection from ratepayers. Board staff further submitted that the alternative proffered by Board staff of calculating the PILs proxy with effect from May 1, 2002 is equitable to the ratepayers

[2] Spreadsheet implementation model for payments-in-lieu of taxes
[3] RP-2004-0058/ EB-2004-0044, Decision and Order, Interim Rates, March 12, 2004.

and to the shareholder. This alternative is consistent with decisions already made by the Board.[4]

Board staff also requested that Kenora Hydro file a revised PILs continuity schedule with pro-rated PILs proxy entitlements from May 1, 2002 and final balance in Excel format as an alternative scenario for the Board to consider.

In its reply submission, Kenora Hydro provided a copy of the PILs continuity schedule with pro-rated PILs proxy entitlements from May 1, 2002. The re-calculated amount was a credit of $245,521.

Billing Determinants used in the PILs Recovery Worksheets

In the application evidence filed in 2002, 2004 and 2005, utilities provided statistics of energy and demand data. The 2006 EDR application also provided statistics for 2002 to 2004. The trend for the majority of distributors is that the Deferred PILs recoveries exceed the PILs proxies included in rates for the full years of 2003 to 2005. As demand and population grew, the PILs dollar amounts recovered from ratepayers were higher than the PILs proxies set using 2001 billing determinants. In Kenora Hydro's original application, the PILs recoveries were lower when compared to the PILs proxies in rates.

In its response to Board staff interrogatories #9, Kenora Hydro noted that its customers are in a climate where the billings for the first quarter of any given year are disproportionately higher than the rest of the year. Kenora Hydro explained that it is a winter peaking utility and the December through March are the coldest and thus highest heating degree months of the year. Kenora Hydro confirmed that the consumption data as presented is accurate. Kenora Hydro also explained that the changes in customer counts and consumption from the 2001 year of PILs proxy setting to the 2003 actuals reveals the resulting "under recovery" in 2003. Kenora Hydro further explained that the total "expected" approximate decrease in 2003 collections over 2001 estimates. Board staff accepted Kenora Hydro's explanation and submitted that the statistics utilized in the PILs recovery calculations appear to be reasonable and consistent with the 2002 to 2006 historic billing determinant statistics.

[4] Board Decisions: North Bay, EB-2011-0187; Thunder Bay, EB-2012-0212; St. Thomas, EB-2012-0248.

Excess Interest True-up

In determining the excess interest true-up variances in the SIMPIL models, the Board-approved maximum deemed interest of $222,523 was deducted from actual interest expense.

Board staff submitted that there are no issues concerning the interest expense true-up calculations submitted by Kenora Hydro.

Income Tax Rates

The SIMPIL models require income tax rates to be input in order to calculate the variances that support some of the entries in Account 1562. These income tax rates are entered on sheet TAXCALC by the applicant.

Board staff submitted that the minimum income tax rates as submitted by Kenora Hydro are appropriate based on its evidence.

The Board agrees that the final amounts calculated by Kenora Hydro are consistent with regulatory guidance and previous decisions of the Board. Accordingly, the Board approves the disposition of a credit balance of $245,521 in Account 1562, comprised of a principal amount of $188,270 and carrying charges of $57,251, over a one year period from November 1, 2012 to October 31, 2013.

For accounting and reporting purposes, the balance of Account 1562 shall be transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595 pursuant to the requirements specified in Article 220, Account Descriptions, of the Accounting Procedures Handbook for Electricity Distributors. The date of the journal entry to transfer the approved account balances to the sub-accounts of Account 1595 is the date on which disposition of the balances is effective in rates, which generally is the start of the rate year (e.g. May 1). This entry should be completed on a timely basis to ensure that these adjustments are included in the 4th Quarter 2012 RRR data to be reported.

Review and Disposition of Lost Revenue Adjustment Mechanism

The Board's *Guidelines for Electricity Distributor Conservation and Demand Management* (the "CDM Guidelines") issued on March 28, 2008 outline the information that is required when filing an application for LRAM or SSM.

Kenora Hydro originally requested the recovery of an LRAM claim of $80,962 over a one-year period. The lost revenues include the cumulative effect of CDM programs implemented from 2006 to 2010.

In response to interrogatories from Board staff and VECC, and upon receipt of final 2006 to 2010 Ontario Power Authority ("OPA") program results, Kenora Hydro updated its LRAM amount to a principal balance of $79,084 and carrying charge of $2,938 as of December 31, 2010. In response to VECC interrogatory #1c, Kenora Hydro noted that it had not sought to recover historical LRAM amounts in its 2011 cost of service application (EB-2010-0135) as it was trying to mitigate the rate increases experienced by its customers as a result of the 2011 cost of service application.

In its submission, Board staff submitted that Kenora Hydro has followed the process outlined in Chapter 2 of the Filing Requirements and the CDM Guidelines when calculating its LRAM amount. Board staff also submitted that the lost revenues claimed in this rate application for 2006 to 2010 CDM programs are reasonable and have not been recovered in past applications by Kenora Hydro. Board staff supported the recovery of $76,083.90 by Kenora Hydro, which is the LRAM principal amount requested. Board staff further submitted that the carrying charges should reflect the implementation date of the Board's Decision and Order.

VECC also submitted that Kenora Hydro's request for the Board to approve 2006 to 2010 lost revenues is appropriate and supported the recovery of Kenora Hydro's proposed LRAM claim.

In its reply submission, Kenora Hydro agreed that the carrying charges on the LRAM claim should be updated to reflect the implementation date of the Board's Decision and Order.

The Board finds Kenora Hydro's request to recover $76,083.90 and carrying charges to October 31, 2012 resulting 2006 to 2010 lost revenues is appropriate. The Board finds that these savings are appropriately included as part of Kenora Hydro's 2012 rate application filing; the savings occurred prior to the load forecast established in Kenora Hydro's 2011 COS application; the revenues have not been claimed in previous applications; and the calculation is appropriately based on Kenora Hydro's 2006- 2010 OPA CDM Final results. The Board directs Kenora Hydro to file the calculation of carrying charges for approval with its draft Rate Order as set out below. The Board approves the recovery over a one year period from November 1, 2012 to October 31, 2013.

Effective Date of the Rate Change

In its original application filed October 14, 2011, Kenora Hydro requested that its new rates be effective May 1, 2012. However, Kenora Hydro did not request that the Board declare its current rates interim effective May 1, 2012.

As a result, Board staff submitted that the new distribution rates cannot be effective May 1, 2012 since this would amount to retroactive ratemaking. Board staff submitted that the new rates be effective on the month following the issuance of the Board's Decision and Order on this application. Kenora Hydro accepted the Board staff's submission.

The Board has determined that the new rates shall be effective November 1, 2012.

THE BOARD ORDERS THAT:

1. Kenora Hydro shall file with the Board, and shall also forward to intervenors, a draft Rate Order that includes revised models in Microsoft Excel format and a proposed Tariff of Rates and Charges reflecting the Board's findings in this Decision and Order within 6 days of the date of this Decision and Order.

2. VECC and Board staff shall file any comments on the draft Rate Order with the Board and forward to Kenora Hydro within 5 days of the date of filing of the draft Rate Order.

3. Kenora Hydro shall file with the Board and forward to VECC responses to any comments on its draft Rate Order within 3 days of the date of receipt of the submission.

Cost Awards

The Board will issue a separate decision on cost awards once the following steps are completed:

4. VECC shall submit its cost claims no later than **7 days** from the date of issuance of the final Rate Order.

5. Kenora Hydro shall file with the Board and forward to VECC any objections to the claimed costs within **14 days** from the date of issuance of the final Rate Order.

6. VECC shall file with the Board and forward to Kenora Hydro any responses to any objections for cost claims within **21 days** from the date of issuance of the final Rate Order.

7. Kenora Hydro shall pay the Board's costs incidental to this proceeding upon receipt of the Board's invoice.

All filings to the Board must quote file number **EB-2011-0177,** be made through the Board's web portal at, https://www.pes.ontarioenergyboard.ca/eservice/ and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at www.ontarioenergyboard.ca. If the web portal is not available parties may email their document to BoardSec@ontarioenergyboard.ca. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 2 paper copies.

DATED at Toronto, November 1, 2012

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary