



EB-2006-0123

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, effective May 1, 2006;

AND IN THE MATTER OF a request by Kitchener-
Wilmot Hydro Inc. for an amendment to Decision and
Order in proceeding RP-2005-0020 / EB-2005-0386.

BEFORE: Gordon Kaiser
Presiding Member

Paul Vlahos
Member

Cynthia Chaplin
Member

DECISION ON MOTION

Pursuant to section 78 of the *Ontario Energy Board Act*, 1998, S.O. c.15, Schedule B, Kitchener-Wilmot Hydro Inc. ("Kitchener-Wilmot Hydro") filed an application (the "2006 EDR Application") for the approval of distribution rates to be effective as of May 1, 2006.

On April 12, 2006, the Board issued its RP-2005-0020 / EB-2005-0386 Decision and Order ("Decision") in connection with Kitchener-Wilmot Hydro's application.

On May 30, 2006, Kitchener-Wilmot Hydro submitted a (revised) Notice of Motion to Review and Vary the Decision (the "Motion"). The Motion sought two items of relief.

The first is a review and variance of the Decision with respect to the disallowance of an historical amount of \$144,451. This amount related to Low Voltage (LV) charges which Kitchener-Wilmot Hydro sought to collect from Waterloo North Hydro Inc. ("Waterloo North Hydro"), for LV services rendered by Kitchener-Wilmot Hydro to Waterloo North Hydro over the period May 1, 2002 to April 30, 2006.

The second is approval of an amendment to Kitchener-Wilmot Hydro's application. The amendment is to provide for Retail Transmission Service ("RTS") Rates applying to Waterloo North Hydro, which rates had been omitted from Kitchener-Wilmot Hydro's application.

On June 14, 2006, the Board issued Procedural Order No. 1 indicating that it would consider the Motion from Kitchener-Wilmot Hydro and the relief sought by way of a written hearing, and established the process for doing so.

On June 21, 2006, Kitchener-Wilmot Hydro filed additional material in support of its Motion. No registered intervenors filed material, as both aspects of Kitchener-Wilmot Hydro's motion pertain only to rates charged to Waterloo North Hydro. Waterloo North Hydro was contacted by Board staff and filed a submission on July 21, 2006. In its submission, Waterloo North Hydro supported both aspects of Kitchener-Wilmot Hydro's Motion. Kitchener-Wilmot Hydro did not file a reply submission.

Each of the items whose relief is sought in the Motion is dealt with in the following sections.

Deferred LV Charge Recovery

In its Motion and in its June 21, 2006 filing, Kitchener-Wilmot Hydro provided material from its 2006 EDR Application and new material.

Kitchener-Wilmot Hydro documented that it has provided Low Voltage Wheeling services to Waterloo North Hydro since 1978. It had LV Wheeling service rates approved by the previous regulator.

Pursuant to a letter of the Board of July 18, 2002, Kitchener-Wilmot Hydro applied on August 23, 2002 for approval of its then-existing rates. This application (RP-2002-0138) was discontinued by the passage of Bill 210.

In 2001, Kitchener-Wilmot Hydro applied, and received approval in Decision RP-2000-0041/ EB-2001-0593 to track these LV charges in a deferral account.

With the implementation of Bill 210, Kitchener-Wilmot Hydro and Waterloo North Hydro entered into an agreement for Kitchener-Wilmot Hydro to continue to charge and for Waterloo North Hydro to pay the historical rates on an “interim” basis subject to reconciliation pending OEB consideration of an application for wheeling rates. This arrangement was made to minimize the eventual impact on each of the utilities should the historical RTS rate recoveries be allowed.

The Board's Chief Compliance Officer investigated the arrangement during the summer of 2005, and by a letter dated September 27, 2005 instructed Kitchener-Wilmot Hydro to refund to Waterloo-North Hydro all historically-collected amounts. Kitchener-Wilmot Hydro complied and recorded the deferred charges in the Board-approved deferral account 2425. Kitchener-Wilmot Hydro then amended its 2006 EDR rate application for recovery of the historical LV charges.

In its Decision, the Board denied Kitchener-Wilmot Hydro's request on the basis that the requested recovery was out-of-period and failure to recover the requested amount will not cause unmanageable financial hardship to the Applicant.

In its Motion, Kitchener-Wilmot Hydro contended that it would be unfair for Kitchener-Wilmot Hydro's customers or shareholders to absorb the costs of the LV wheeling services provided to Waterloo North Hydro for service to some of the latter utility's customers. Kitchener-Wilmot Hydro is seeking a one-time recovery of \$144,451 for historical LV services provided to Waterloo North Hydro.

Kitchener-Wilmot Hydro cited that the Board had approved Woodstock Hydro Services Inc. to charge Hydro One Networks Inc. a one-time amount for similar historical LV charges in its decision approving Woodstock Hydro Services Inc.'s 2006 distribution rates.

In its letter of July 21, 2006, Waterloo North Hydro supported Kitchener-Wilmot Hydro's proposed relief, and noted that it "had the expectation that these costs, which are cost inputs to [Waterloo North Hydro's] USoA 1586 RSVA Connection account, would be billed by [Kitchener-Wilmot Hydro] for this period."

The Board notes that Kitchener-Wilmot Hydro had previously applied for approval of LV rates but was unable to receive approval for reasons beyond its control. Any subsequent application prior to January 1, 2005 would have required prior approval from the Minister of Energy. Kitchener-Wilmot Hydro and other electricity distributors elected to apply for recovery of these deferred amounts through their 2006 EDR applications. This was allowed for in the 2006 Electricity Distribution Rate Handbook.

Subsequent to refunding all monies collected per the contractual arrangement, Kitchener-Wilmot Hydro amended its 2006 EDR application for Board approval for recovery via a one-time charge of \$144,451, based on the LV rates as applied for in 2002 and the energy supplied to Waterloo North Hydro. The Board, in its Decision, approved updated but very similar LV wheeling rates effective May 1, 2006 based on a similar methodology but on more recent data.

Upon review, the Board considers that Kitchener-Wilmot Hydro and Waterloo North Hydro have provided additional information on this matter. Kitchener-Wilmot Hydro provided additional information supporting its case that it had sought approval for LV wheeling rates but that approval was not granted for reasons beyond its control. Kitchener-Wilmot Hydro has provided additional information that it had provided these LV wheeling services on an expectation that the costs would be recovered from rates charged to Waterloo North Hydro and that which the latter would recover from its customers that received the benefits of these services. The costs should not be borne by Kitchener-Wilmot's ratepayers or its shareholders.

The Board is also informed by Waterloo North Hydro's submission that it is supportive of the request and had expected that it would have to pay for the wheeling services that Kitchener-Wilmot Hydro had been providing to it during the period from May 1, 2002 to April 30, 2006.

The Board thus grants the motion and approves Kitchener-Wilmot Hydro's request for one-time rate recovery for LV wheeling services provided to Waterloo North Hydro from May 1, 2002 to April 30, 2006.

In granting the motion, the Board wishes to point out that it has done so not on the strength of the contractual arrangement of the two utilities but rather on the basis of determining just and reasonable rates on the basis of better information.

Updated Retail Transmission Rates

Prior to May 1, 2006, Kitchener-Wilmot Hydro had approved RTS rates for all of its customer classes, including those applicable to an embedded distributor. Waterloo North Hydro is the only embedded distributor to Kitchener-Wilmot Hydro.

In its 2006 EDR Application, Kitchener-Wilmot Hydro proposed and received approval for updated RTS rates to address persistent over-collection in corresponding variance accounts, but omitted to include RTS rates for the embedded distributor class.

In its Motion, Kitchener-Wilmot Hydro proposed updated RTS rates for the embedded distributor class of \$2.2091 per kW for the Network Service Rate and \$0.8838 per kW for the Line and Transformation Connection Service Rate.

The proposed RTS rates incorporate reductions of 11.21% for the Network Service Rate and 13.58% for the Line and Transformation Connection Service Rate compared to the previous approved rates.

Waterloo North Hydro supported the proposed reduction in the RTS rates to be charged to Waterloo North Hydro. While Waterloo North Hydro recovers these charges from its own customers through its Board-approved rates, it would not seek any adjustment to its RTS rates as it considered that the impact would not be material.

The Board notes that the methodology used is that documented in the 2006 Electricity Distribution Rate Handbook and, on a percentage basis and allowing for rounding, the RTS rate adjustments are consistent with those approved for other customer classes by the Board in its Decision. The Board also notes that any differences between the amounts charged by the IESO or a host distributor for Retail Transmission Services and

those recovered by a distributor from its customers are booked to designated variance accounts. Balances in these accounts are reviewed and disposed of by the Board in accordance with the legislation.

The Board approves the updated RTS rates for the embedded distributor class as proposed by Kitchener-Wilmot Hydro.

THE BOARD ORDERS THAT:

1. Kitchener-Wilmot Hydro Inc. is authorized to recover from Waterloo North Hydro Inc. an amount of \$144,451 for historical Low Voltage Wheeling services provided from May 1, 2002 to April 30, 2006.
2. The Tariff of Rates and Charges set out in Appendix "A" of this Order is effective May 1, 2006 and supersedes all previous distribution rate schedules approved by the Ontario Energy Board for Kitchener-Wilmot Hydro Inc., and is final in all respects.
3. Kitchener-Wilmot Hydro Inc. shall notify its affected customers of the rate changes no later than with the first bill reflecting the new rates.

DATED at Toronto, October 20, 2006.

ONTARIO ENERGY BOARD

Original signed by

Peter O'Dell
Assistant Board Secretary

Appendix "A"

EB-2006-0123

October 20, 2006

ONTARIO ENERGY BOARD

Kitchener-Wilmot Hydro Inc.

TARIFF OF RATES AND CHARGES

Effective May 1, 2006

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

RP-2005-0020
EB-2005-0386
EB-2006-0123

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, 2006 for all consumption or deemed consumption services used on or after that date.

SPECIFIC SERVICE CHARGES - May 1, 2006 for all charges incurred by customers on or after that date.

LOSS FACTOR ADJUSTMENT – May 1, 2006 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.

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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	\$	9.83
Distribution Volumetric Rate	\$/kWh	0.0123
Regulatory Asset Recovery	\$/kWh	(0.0002)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0051
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0017
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	\$	25.47
Distribution Volumetric Rate	\$/kWh	0.0091
Regulatory Asset Recovery	\$/kWh	(0.0003)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0045
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
Regulated Price Plan – Administration Charge	\$	0.25

General Service 50 to 4,999 kW

Service Charge	\$	233.18
Distribution Volumetric Rate	\$/kW	3.5232
Regulatory Asset Recovery	\$/kW	(0.0440)
Retail Transmission Rate – Network Service Rate	\$/kW	2.3431
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	0.8101
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

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Large Use

Service Charge	\$	14,208.41
Distribution Volumetric Rate	\$/kW	1.4329
Regulatory Asset Recovery	\$/kW	(0.4377)
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.2022
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	0.7615
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)	\$	12.60
Distribution Volumetric Rate	\$/kWh	0.0091
Regulatory Asset Recovery	\$/kWh	(0.0003)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0045
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
Regulated Price Plan – Administration 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)	\$	0.79
Distribution Volumetric Rate	\$/kW	4.3987
Regulatory Asset Recovery	\$/kW	(0.6873)
Retail Transmission Rate – Network Service Rate	\$/kW	1.4249
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	0.4927
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

Embedded Distributor

Monthly Distribution Wheeling Service Rate – Dedicated LV Line	\$/kW	1.13
Monthly Distribution Wheeling Service Rate – Shared LV Line	\$/kW	0.10
Retail Transmission Rate – Network Service Rate	\$/kW	2.2091
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	0.7638

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

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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	\$	(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