



RP-2005-0020
EB-2005-0365

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 Fort Albany
Power Corporation for an order or orders approving or
fixing just and reasonable 2006 distribution rates and
other charges.

BEFORE: Paul Vlahos
Presiding Member

DECISION AND ORDER

Fort Albany Power Corporation ("FAPC" or the "Applicant") is a licensed distributor providing electrical service to consumers within its defined service area. FAPC filed an application (the "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 matters. According to the Board's schedule for filings, FAPC was to have filed its application no later than October 3, 2005. FAPC filed an application on July 11, 2006, and a revised complete application on August 21, 2006.

FAPC is one of over 90 electricity distributors in Ontario that are regulated by the Board. To streamline the process for the approval of distribution rates and charges for these distributors, the Board developed and issued the *2006 Electricity Distribution Rate Handbook* (the "Handbook") and complementary spreadsheet-based models. These materials were developed after extensive public consultation with distributors, customer groups, public and environmental interest groups, and other interested parties. The Handbook contains requirements and guidelines for filing an application. The models determine the amounts to be included for the payments in lieu of taxes ("PILs"), not applicable to FAPC, and calculate rates based on historical financial and other information entered by the distributor.

Also included in this process was a methodology and model for the final recovery of regulatory assets flowing from the Board's decision dated December 9, 2004 on the Review and Recovery of Regulatory Assets – Phase 2 for Toronto Hydro, London Hydro, Enersource Hydro Mississauga and Hydro One. In Chapter 10 of the decision, the Board outlined a Phase 2 process for the remaining distributors. By letter of July 12, 2005, the Board provided guidance and a spreadsheet-based model to the distributors for the inclusion of this recovery as part of their 2006 distribution rate applications.

In its preliminary review of the 2006 rate applications received from the distributors, the Board identified several issues that appeared to be common to many or all of the distributors. As a result, the Board held a hearing (EB-2005-0529) to consider these issues (the "Generic Issues Proceeding") and released its decision (the "Generic Decision") on March 21, 2006. The rulings flowing from that Generic Decision apply to this Application, except to the extent noted in this Decision. The Board notes that pursuant to ss. 21 (6.1) of the *Ontario Energy Board Act, 1998*, and to the extent that it is pertinent to this Application, the evidentiary record of the Generic Issues Proceeding is part of the evidentiary record upon which the Board is basing this Decision.

In December 2001, the Board authorized the establishment of deferral accounts by the distributors related to the payments that the distributors make to the Ministry of Finance in lieu of taxes. The Board is required, under its enabling legislation, to make an order with respect to non-commodity deferral accounts once every twelve months. The Board has considered the information available with respect to these accounts and orders that the amounts recorded in the accounts will not be reflected in rates as part of the Rate Order that will result from this Decision. The Board will continue to monitor the accounts with a view to clearing them when appropriate.

On April 27, 2006, the Board issued an Order declaring rates then existing for FAPC to be interim, effective May 1, 2006, until such time as the Board issued a final rate order for 2006 rates. This Decision and Order is final with respect to 2006 rates and supersedes the Order of April 27.

FAPC submitted an application on July 10, 2006 which was found to be incomplete, and a complete application was submitted on August 22, 2006. Public notice of the rate Application made by FAPC was given through newspaper publication in its service area. The evidence filed was made available to the public. Interested parties intervened in the proceeding. The procedural order was issued on October 13, 2006. The evidence in the Application was tested through written interrogatories from Board staff and

Energy Probe (an intervenor), and the Applicant submitted responses to interrogatories on November 15, 2006. No arguments were submitted, and the record was completed on November 29, 2006.

While the Board has considered the entire record in this proceeding, it has made reference in this Decision only to such evidence and argument as is necessary to provide context to its findings.

FAPC has requested an amount of \$603,907 as revenue to be recovered through distribution rates and charges. Included in this amount is a credit of \$16,785 for the recovery of regulatory assets. Except where noted in this Decision, the Board finds that FAPC has filed its Application in accordance with the Handbook and the guidelines for the recovery of regulatory assets.

Notwithstanding FAPC's general compliance with the Handbook and associated models, in considering this Application the Board reviewed the following matters in detail:

- Late Payment Charges;
- Specific Service Charges;
- Cost of Capital;
- Consequences of the Generic Decision (EB-2005-0529), and
- Impact Mitigation.

Late Payment Charges

The Applicant recorded \$0 revenue in 2002, 2003 and 2004 from Late Payment Charges and no proposal was made to adjust this amount for purposes of 2006 rates. The Board will not deem any revenue amount for late payment charges for purposes of setting rates at this time. However, the Applicant is forewarned that this may not be the case the next time the Board will set rates for the Applicant. The Applicant is expected to provide full evidence on the late payment charges matter at the next proceeding in which distribution rates are rebased.

Specific Service Charges

The Applicant applied for approval of three specific service charges, each at an amount higher than the standard amount in the Handbook, and did not support the application with its own cost information. The Applicant did not apply for approval of a charge for pole rental, but provided data on revenue received from that source during the previous three years. The Board approves the three specific service charges applied for, and it further approves the standard charge for pole rental. The Board will not deem any revenue amount from specific service charges for purposes of setting rates, except for an amount of \$4,725 per year from pole rentals. This amount represents one third of the total pole rentals amount for the three year period reported. At the next proceeding in which distribution rates are rebased, the Applicant is expected to provide full evidence on the matter of specific service charges. For rate-setting purposes, the revenue offset in the model shall be the revenue from pole rentals, plus the amount of Other Income and Deductions at \$3,636, for a total of \$8,361.

Cost of Capital

The Applicant is incorporated as a not-for-profit organization but under its Letters of Patent it may generate a surplus and use same for specified social and environmental objectives. There are also restrictions placed on the Applicant to raise substantial debt and there is no debt based on the current filing. The value of the Applicant's fixed assets (\$133,541) is very small as many assets were purchased from Hydro One at a nominal price.

The Applicant requested that the deemed capital structure and cost of capital contained in the Rate Handbook apply to the determination of overall cost of capital financing its rate base. Specifically, the Applicant requested a debt: equity split of 50:50, a 6.25% cost for its debt and 9.00% return on equity, resulting in an overall cost of capital of 7.63%.

Because of the minimal recorded value of fixed assets, the cost of capital component of the Applicant's revenue requirement is comparatively small. Given these special circumstances, the Board approves the Applicant's requests pertaining to the overall cost of capital for purposes of setting 2006 rates.

Consequences of the Generic Decision on this Application

The Generic Decision contains findings relevant to funding for smart meters for electricity distributors. The Applicant did not file a specific smart meter investment plan or request approval of any associated amount in revenue requirement. Absent a specific plan or discrete revenue requirement, the Generic Decision provides that \$0.30 per residential customer per month be reflected in the Applicant's revenue requirement. The Board finds that this increase in the revenue requirement amount will be allocated equally to all metered customers and recovered through their monthly service charge, or in the absence of a monthly service charge then through the volumetric rate. This increment is reflected in the approved monthly service charges and kWh charges contained in the Tariff of Rates and Charges appended to this Decision. Pursuant to the Generic Decision, a variance account will be established, the details of which were communicated to all distributors on June 13, 2006.

Resulting Revenue Requirement

As a result of the Board's determinations on these issues, the Board has adjusted the annual revenue requirement to be recovered through distribution rates and charges to \$603,907 including a credit amount of \$16,785 for the recovery of Regulatory Assets.

In its letter of December 20, 2004 to electricity distributors, the Board indicated that it would consider the disposition of the 2005 OEB dues recorded in Account 1508 in this proceeding. However, given that the model used to develop the Application does not incorporate this provision, the Board will review and dispose of the 2005 OEB dues at a later time.

Mitigation

The Application indicates that there would be a bill impact on customers in the General Service – Institutional rate class of greater than 10% in the absence of a mitigation plan, and as a result the rates proposed by the Applicant would yield an impact of 10% over the current total electricity bill. The lower rates to this rate class are enabled in part by higher rates to the other two rate classes, and in part by designing rates that will yield less than the distribution revenue requirement by an amount of approximately \$5200 on an annual basis. The Board accepts the mitigation plan as proposed.

Effective Date

The Board notes that the revenue requirement found in this Decision will result in increased rates for the Applicant's customers. The Board notes that the Applicant was about six months late in filing its application. The Board does not condone retroactive ratemaking when it involves rate increases. The Board finds that the effective date of the new rates shall be February 1, 2007.

THE BOARD ORDERS THAT:

1. The Tariff of Rates and Charges set out in Appendix "A" of this Order is approved, effective February 1 2007, for electricity consumed or estimated to have been consumed on and after February 1, 2007.
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 Fort Albany Power Corporation, and is final in all respects.
3. Fort Albany Power Corporation shall notify its customers of the rate changes no later than with the first bill reflecting the new rates.

DATED at Toronto, February 1, 2007.

ONTARIO ENERGY BOARD

Original signed by

Peter O'Dell
Assistant Board Secretary

Appendix "A"

RP-2005-0020
EB-2005-0365

February 1, 2007

ONTARIO ENERGY BOARD

Fort Albany Power Corporation

TARIFF SCHEDULE

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

RP-2005-0020

EB-2005-0365

APPLICATION

- The application of these rates and charges shall be in accordance with the Board-approved 2006 Electricity Distribution Rate Handbook or any other Licence conditions, Codes, Guidelines or Orders of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this rate 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 a supply of power shall be made except as permitted by the approved 2006 Electricity Distribution Rate Handbook or any other Licence conditions, Codes, Guidelines or Orders 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 - February 1, 2007 for all consumption or deemed consumption services used on or after that date.

SPECIFIC SERVICE CHARGES – February 1, 2007 for all charges incurred by customers on or after that date.

LOSS FACTOR ADJUSTMENT – applied on all bills issued on or after February 1, 2007

SERVICE CLASSIFICATIONS

Residential

This classification applies to all customers not falling within the Commercial or Institutional classes.

General Service - Commercial

This classification applies to any commercial business or to an asset operated by Fort Albany First Nation that does not receive funding from the Government of Canada or the Province of Ontario

General Service - Institutional

This classification applies to any customer that receives funding from or is paid for by either the Government of Canada or the Province of Ontario.

MONTHLY RATES AND CHARGES

Residential

Service Charge	\$	20.24
Distribution Volumetric Rate	\$/kWh	0.0211
Regulatory Asset Recovery	\$/kWh	(0.0020)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0046
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0044
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge	\$	0.25

General Service - Commercial

Service Charge	\$	34.24
Distribution Volumetric Rate	\$/kWh	0.0215
Regulatory Asset Recovery	\$/kWh	(0.0020)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0042
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0039
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge	\$	0.25

Fort Albany Power Corporation

TARIFF SCHEDULE

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

RP-2005-0020
EB-2005-0365

General Service - Institutional

Distribution Volumetric Rate	\$/kWh	0.2125
Regulatory Asset Recovery	\$/kWh	(0.0020)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0042
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0039
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

Specific Service Charges

Customer Administration

Returned Cheque (plus bank charges)	\$	45.00
Meter Replacement Charge	\$	150.00

Non-Payment of Account

Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Disconnect/Reconnect Charges for non payment of account - At Meter During Regular Hours	\$	100.00

Specific Charge for Access to Power Poles – per pole/year	\$	22.35
---	----	-------

LOSS FACTORS

Distribution Loss Factor – Secondary Metered Customer	1.0385
Distribution Loss Factor – Primary Metered Customer	1.0281
Total Loss Factor – Secondary Metered Customer	1.0385
Total Loss Factor – Primary Metered Customer	1.0281