



EB-2007-0517
EB-2007-0109

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 Chatham-Kent Hydro Inc. for an order or orders approving or fixing just and reasonable distribution rates and other charges, to be effective May 1, 2007.

BEFORE: Paul Sommerville
Presiding Member

Paul Vlahos
Member

Ken Quesnelle
Member

DECISION AND ORDER

Chatham-Kent Hydro Inc. ("Chatham-Kent Hydro") is a licensed distributor providing electrical service to consumers within its licensed service area. Chatham-Kent Hydro 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, 2007.

Chatham-Kent Hydro is one of 85 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 issued its *Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors* (the "Report") on December 20, 2006. The Report contained the relevant guidelines for 2007 rate adjustments ("the guidelines") for distributors applying for rates only on the basis of the

cost of capital and 2nd generation incentive regulation mechanism policies set out in the Report.

Public notice of Chatham-Kent Hydro's rate application was given through newspaper publication in Chatham-Kent Hydro's service area. The evidence filed as part of the rate application was made available to the public. The Board granted intervenor status to the Schools Energy Coalition ("SEC"), Vulnerable Energy Consumers Coalition ("VECC") and Union Gas Limited. Both Chatham-Kent Hydro and the intervenors had the opportunity to file written submissions in relation to the rate application. The Board received written submissions from SEC, VECC and Board staff. While the Board has considered the entire record in this rate application, it has made reference only to such evidence and submissions as is necessary to provide context to its findings.

Chatham-Kent Hydro's rate application was filed on the basis of the guidelines. In fixing new rates and charges for Chatham-Kent Hydro, the Board has applied the policies described in the Report.

After confirming the accuracy of the 2006 rate tariff and accompanying materials submitted in the rate application, the Board applied its approved price cap index adjustment to distribution rates (fixed and variable) uniformly across all customer classes. The price cap index is calculated as a price escalator less an X-factor of 1.0%, intended to represent input price and productivity trends. Based on the final 2006 data published by Statistics Canada, the Board has established the price escalator to be 1.9%. The resulting price cap index adjustment is therefore 0.9%.

The price cap index adjustment was not applied to the following components of the rates:

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

Chatham-Kent Hydro requested an amount for smart meter costs. The Board has approved an amount of \$2.25 per month per metered customer. Chatham-Kent Hydro's variance accounts for smart meter program implementation costs, previously authorized by the Board, are continued. As the notice of this application indicated, the Board will

be holding a combined proceeding to consider, among other things, appropriate recovery of smart meter costs.

Chatham-Kent Hydro's standby rates were approved as interim by the Board in its 2006 distribution rates order. The Board is still examining the issues related to standby rates, and is not in a position to make a final order for these rates at this time. The standby rates will be adjusted by the price cap index but remain interim.

Notwithstanding Chatham-Kent Hydro's general compliance with the guidelines, the Board reviewed the following issues in detail:

- **Request for Conservation and Demand Management ("CDM") funding**
- **Market Adjusted Revenue Requirement ("MARR") based CDM funding, and**
- **Chatham-Kent's Rate Harmonization Proposal.**

Request for Conservation and Demand Management ("CDM") funding

As part of its rate application, Chatham-Kent Hydro filed an application for \$200,000 of CDM funding for four new CDM programs. The Board received written submissions from VECC, SEC and Board staff on this issue.

In their submissions, VECC, SEC and Board staff argued that Chatham-Kent Hydro had failed to fulfill a number of informational filing requirements in regards to its CDM application, had provided insufficient information regarding costs and targets, and that at least one program failed to meet the TRC test. VECC also criticized the proposed allocation of the costs.

In reply to these submissions, Chatham-Kent Hydro advised that after consideration and review of the OPA's programs for 2007, it concluded that the programs it was proposing were similar to those offered by the OPA. As a result, Chatham-Kent Hydro advised that it was withdrawing its application for \$200,000 of CDM funding.

Market Adjusted Revenue Requirement (“MARR”) based CDM funding

The Board issued a letter on March 1, 2007 setting out the process for distributors to apply for incremental funding for CDM programs in 2007 distribution rates.

In the letter, the Board indicated that it would use an expedited approach for the approval of additional funding for CDM programs that are currently undertaken as part of the third tranche of the MARR-based CDM Programs.

The letter also stated:

“For funding requests received before March 23, 2007, the funds will be included in 2007 rates for implementation on May 1 (provided that the TRC analysis requirement is met) but all amounts collected in rates in relation to the costs of the MARR-based CDM Program will be booked into a variance account. The Board will subsequently hold a hearing in relation to the approval of the extended MARR-based CDM Program. If the extended Program is approved, the variance account will be closed. If the Program is not approved, the variance account will remain and be the subject of disposition in the future, the expectation being that the Program would be discontinued”.

On March 26, 2007 Chatham-Kent Hydro filed an application with the Board for \$65,000 of CDM funding to extend two MARR-based CDM programs: Distribution System Optimization and Line Loss Reduction, and a School Conservation Program. The Board assigned file number EB-2007-0109 to this application.

The Distribution System Optimization and Line Loss Reduction program is a voltage conversion program to reduce line losses. Projected budget is \$50,000 in capital expenditures, with a Total Resource Cost (“TRC”) cost/benefit ratio of 2.69. The Board finds that Chatham-Kent Hydro has satisfied the minimum requirements set out in the March 1, 2007 letter for this program.

The School Conservation Program is an education program that targets grade 5 students in the Chatham-Kent area that aims to illustrate the importance of energy conservation. Projected budget (operating expenditure) is \$15,000. Chatham-Kent Hydro did not provide a TRC value for this program. However, the Board recognizes

that it may be difficult to quantify the benefits of such programs, and is satisfied as to the merits of this program. The Board finds that Chatham-Kent Hydro has satisfied the minimum requirements set out in the March 1, 2007 letter for this program

Chatham-Kent Hydro has applied for CDM funding in the amount of \$65,000. Under traditional rate making methodology, operating costs are collected once and expensed in the year. Capital costs are included in rate base, and it is only the annual capital-related expenses that are recovered through rates in any given year. For the system optimization and line loss reduction program, the Board finds that Chatham-Kent Hydro may include only the annual capital-related expenses in 2007 rates, in the amount of \$3,547. Together with the operating expense and an allowance for working capital, the total amount to be collected in 2007 rates is \$18,785. This amount has been allocated to the Residential and General Service Less Than 50 kW rate classes.

The Board authorizes the establishment of a new sub-account in Account 1508 to track the expenditures of these programs. The Board will subsequently hold a hearing in relation to the approval of the extended MARR-based CDM Programs. The Board notes that the Distribution System Optimization and Line Loss Reduction program may be viewed as a system improvement that will be considered in relation to the coincidence with the distributor's normal asset lifecycle replacement program.

The Board has made the necessary adjustments to Chatham-Kent Hydro's filed 2006 Tariff of Rates and Charges to produce a new Tariff of Rates and Charges to be effective May 1, 2007. 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.

Chatham-Kent's Rate Harmonization Proposal

In the 2005 rate case (RP-2005-0020/EB-2005-0350), the Board reviewed Chatham-Kent Hydro's Rate Harmonization Proposal. The Board in its decision accepted Chatham-Kent Hydro's Rate Harmonization proposal stating that harmonization will remove distinctions between customers based on historic service areas and will not create undue customer rate impacts.

Chatham-Kent Hydro has submitted a Rate Harmonization Plan in this application (EB-2007-0517) according to the proposal approved in the rate case EB-2005-0350.

VECC's submission expressed concern that customers in Blenheim will experience a significant increase in their monthly bills and asked the Board to consider the associated implications before giving final approval for the proposed continued rate harmonization. The Board has considered the implications of the Rate Harmonization Plan on the customers in Blenheim and other service areas of Chatham-Kent Hydro. The Board finds that the need to achieve greater equity in the rates across Chatham-Kent Hydro's service area is sufficient to justify the bill impact that will be experienced by the customers in the Blenheim area.

The Board approves the Rate Harmonization Plan as submitted and this plan is reflected in Tariff of Rates and Charges attached as Appendix A to this decision.

Cost Awards

VECC and SEC requested and were granted cost eligibility in this rate application. Parties who were granted cost eligibility shall submit their cost claims by Thursday, May 3, 2007. A copy of the cost claim must be filed with the Board and one copy is to be served on Chatham-Kent Hydro. The cost claims must be done in accordance with section 10 of the Board's Practice Direction on Cost Awards.

Chatham-Kent Hydro will have until Thursday, May 17, 2007 to object to any aspects of the costs claimed. A copy of the objection must be filed with the Board and one copy must be served on the party against whose claim the objection is being made.

The party whose cost claim was objected to will have until June 7, 2007 to make a reply submission as to why its cost claim should be allowed. Again, a copy of the submission must be filed with the Board and one copy is to be served on Chatham-Kent Hydro.

THE BOARD ORDERS THAT:

1. The Tariff of Rates and Charges set out in Appendix A of this order is approved, effective May 1, 2007, for electricity consumed or estimated to have been consumed on and after May 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 Chatham-Kent Hydro, and is final in all respects, except for the standby rates which are approved as interim.
3. Chatham-Kent Hydro shall notify its customers of the rate changes no later than with the first bill reflecting the new rates.
4. A new sub-account for the costs of the extended MARR-based CDM Programs, the Distribution System Optimization and Line Loss Reduction program and a School Conservation Program, be created under main account 1508.

DATED at Toronto, April 12, 2007.

ONTARIO ENERGY BOARD

Original signed by

Peter H. O'Dell
Assistant Board Secretary

Appendix A

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April 12, 2007

ONTARIO ENERGY BOARD

Chatham-Kent Hydro Inc.

TARIFF OF RATES AND CHARGES

Effective May 1, 2007

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

EB-2005-0517

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, 2007 for all consumption or deemed consumption services used on or after that date.

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

LOSS FACTOR ADJUSTMENT – May 1, 2007 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 and includes:

- 1) All services supplied to single-family dwelling units for domestic or household purposes,
- 2) All multi-unit residential establishments such as apartments of 6 or less units.
- 3) If a service supplies a combination of residential and commercial load and wiring does not permit separate metering, the classification of this customer will be determined individually by the distributor.

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 and includes multi-unit residential establishments such as apartment buildings supplied through one service (bulk-metered).

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 4,999 kW non-interval metered

General Service 50 to 4,999 kW interval metered

General Service 50 to 4,999 kW – Time of use

This classification refers to a non residential account whose monthly average peak demand is equal to or greater than, or is forecast to be equal or greater than 50 kW but less than 4,999 kW and received Time of Use pricing prior to rate unbundling and market opening.

Large Use

This classification applies to an account whose average monthly maximum demand used for billing purposes over the most recent 12 consecutive months 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.

Standby Power

This classification refers to an account that has Load Displacement Generation and requires the distributor to provide back-up service.

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Sentinel Lighting

This classification refers to accounts that are an unmetered lighting load supplied to a sentinel light.

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.

MONTHLY RATES AND CHARGES**Residential Distribution Charges by Service Area****Blenheim**

Service Charge	\$	10.26
Distribution Volumetric Rate	\$/kWh	0.0113

Bothwell

Service Charge	\$	14.77
Distribution Volumetric Rate	\$/kWh	0.0142

Chatham

Service Charge	\$	14.23
Distribution Volumetric Rate	\$/kWh	0.0144

Dresden

Service Charge	\$	14.36
Distribution Volumetric Rate	\$/kWh	0.0140

Erieau

Service Charge	\$	13.21
Distribution Volumetric Rate	\$/kWh	0.0139

Merlin

Service Charge	\$	15.12
Distribution Volumetric Rate	\$/kWh	0.0135

Ridgetown

Service Charge	\$	14.48
Distribution Volumetric Rate	\$/kWh	0.0150

Thamesville

Service Charge	\$	12.44
Distribution Volumetric Rate	\$/kWh	0.0128

Tilbury

Service Charge	\$	13.79
Distribution Volumetric Rate	\$/kWh	0.0136

Wallaceburg

Service Charge	\$	15.05
Distribution Volumetric Rate	\$/kWh	0.0151

Wheatley

Service Charge	\$	13.77
Distribution Volumetric Rate	\$/kWh	0.0130

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Residential Other Charges for All Service Areas

Regulatory Asset Recovery	\$/kWh	0.0010
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0049
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0053
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	\$	32.83
Distribution Volumetric Rate	\$/kWh	0.0093
Regulatory Asset Recovery	\$/kWh	0.0005
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0045
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0048
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	\$	161.68
Distribution Volumetric Rate	\$/kW	1.5777
Regulatory Asset Recovery	\$/kW	0.0672
Retail Transmission Rate – Network Service Rate	\$/kW	1.8300
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.8900
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	1.9500
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	2.0700
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 – Time of Use by Service Area

Blenheim

Service Charge	\$	2,821.05
Distribution Volumetric Rate	\$/kW	1.7557
Regulatory Asset Recovery	\$/kW	2.0054
Retail Transmission Rate – Network Service Rate	\$/kW	1.9500
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	2.0700
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Chatham

Service Charge	\$	4,725.03
Distribution Volumetric Rate	\$/kW	2.3712
Regulatory Asset Recovery	\$/kW	2.0054
Retail Transmission Rate – Network Service Rate	\$/kW	1.9500
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	2.0700
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Chatham-Kent Hydro Inc.

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Large Use

Service Charge	\$	12,996.19
Distribution Volumetric Rate	\$/kW	3.0472
Regulatory Asset Recovery	\$/kW	(0.2819)
Retail Transmission Rate – Network Service Rate	\$/kW	2.1500
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	2.3700
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)	\$	3.31
Distribution Volumetric Rate	\$/kWh	0.0054
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0045
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0048
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 – APPROVED ON AN INTERIM BASIS

Standby Charge – for a month where standby power is not provided. The charge is applied to the contracted amount (e.g. nameplate rating of generation facility).	\$/kW	1.3622
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Sentinel Lighting

Service Charge (per connection)	\$	3.89
Distribution Volumetric Rate	\$/kW	3.0068
Regulatory Asset Recovery	\$/kW	(0.1400)
Retail Transmission Rate – Network Service Rate	\$/kW	1.3900
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.4900
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Street Lighting

Service Charge (per connection)	\$	0.47
Distribution Volumetric Rate	\$/kW	3.1232
Regulatory Asset Recovery	\$/kW	2.8957
Retail Transmission Rate – Network Service Rate	\$/kW	1.3800
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.4600
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Specific Service Charges

Customer Administration		
Arrears certificate	\$	15.00
Statement of Account	\$	15.00
Easement letter	\$	15.00
Credit reference/credit check (plus credit agency costs)	\$	15.00
Returned cheque charge (plus bank charges)	\$	15.00
Account set up charge/change of occupancy charge	\$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	30.00

Chatham-Kent Hydro Inc.

TARIFF OF RATES AND CHARGES

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Non-Payment of Account		
Late Payment – per month	%	1.50
Late Payment – per annum	%	19.56
Disconnect/Reconnect Charge – At Meter During Regular Hours	\$	65.00
Temporary service install & remove – overhead – no transformer	\$	500.00
Temporary service install & remove – overhead – with transformer	\$	1,000.00
Specific charge for access to the power poles – per pole/year	\$	22.35
Switching for company maintenance – Charge based on Time and Materials	\$	
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	1.0470
Total Loss Factor – Secondary Metered Customer > 5,000 kW	1.0369
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0365
Total Loss Factor – Primary Metered Customer > 5,000 kW	1.0266