



EB-2005-0241
RP-2001-0034
RP-2001-0035
RP-2001-0036
RP-1999-0044

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 Great Lakes
Power Limited pursuant to section 78 of the *Ontario Energy
Board Act, 1998* for an order or orders approving or fixing
just and reasonable rates for the transmission of electricity.

AND IN THE MATTER OF the review by the Board of its
Decision and Order dated April 30, 2002 which approved just
and reasonable rates for the transmission of electricity.

PROCEDURAL ORDER NO. 2

Great Lakes Power Limited ("GLPL") filed an application dated March 8, 2005 with the Ontario Energy Board under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15, Schedule B for an order or orders approving or fixing just and reasonable rates for the transmission of electricity. The Board assigned this application Board file number RP-2005-0241.

In its application, GLPL requested that the Board approve a new revenue requirement for the transmitter. GLPL also requested that the uniform transmission rate for the province of Ontario be adjusted to allow GLPL to recover the new revenue requirement.

On September 15, 2005, the Board approved a revenue requirement for GLPL's transmission division through approval of a settlement agreement reached by GLPL and the intervenors to the application. The Board, through this procedural order, will prescribe the procedure for the completion of the application.

As the uniform transmission rate also applies to the transmitters Hydro One Networks Inc., Canadian Niagara Power Inc. and Five Nations Energy Inc., the Board will review its decision rendered April 30, 2002, by which the uniform rate was originally set (joint proceeding RP-2001-0034, RP-2001-0035, RP-2001-0036, RP-1999-0044). The Board has combined the hearing of this review with the GLPL proceeding, and all intervenors in the GLPL proceeding are intervenors in the combined proceeding.

GLPL, Hydro Networks Inc. and the Independent Electricity System Operator have provided a joint proposal to the Board. It is proposed that the uniform transmission rate remain the same, but the allocation factors in the transmission rate be changed to increase revenue to GLPL and decrease revenue to Hydro One Networks Inc. The share of revenue allocated to Canadian Niagara Power Inc. and Five Nations Energy Inc. will remain the same. The proposal is attached as Appendix A to this Procedural Order.

The Board invites submissions from all parties on the joint proposal.

The Board therefore orders that:

1. All parties to the joint proceeding, other than Great Lakes Power Ltd., Hydro One Networks Inc. and the Independent Electricity System Operator, may make written submissions to the Board regarding the joint proposal. The submissions must be received by the Board and copied to all other parties on November 23, 2005.
2. Great Lakes Power Ltd., Hydro One Networks Inc. and the Independent Electricity System Operator, may provide reply submissions to the submissions received from other parties on November 28, 2005.
3. All filings with the Board noted in the Order must be in the form of 10 hard copies and received by the Board by 4:45 p.m. on the stated date. The Board requires all correspondence to be in electronic form as well as paper. Therefore, all parties must also e-mail an electronic copy of their filings in MS Word to the Board Secretary at Boardsec@oeb.gov.on.ca.

ISSUED at Toronto, November 17, 2005

ONTARIO ENERGY BOARD

Original signed by

John Zych
Board Secretary

APPENDIX "A"

TO PROCEDURAL ORDER NO. 2

**BOARD FILE NO. EB-2005-0241
RP-2001-0034
RP-2001-0035
RP-2001-0036
RP-1999-0044**

DATED NOVEMBER 17, 2005

RATE RECOVERY OF REVENUE REQUIREMENT

On September 15, 2005, the Ontario Energy Board accepted the Settlement Proposal filed with the Board in connection with an application (EB-2005-0241) by Great Lakes Power Limited ("GLPL") pursuant to Section 78 of the *Ontario Energy Board Act, 1998* for an order or orders approving or fixing just and reasonable rates for the transmission of electricity.

Pursuant to its acceptance of the Settlement Proposal, the Board established a revenue requirement of \$29.1385 million for 2005 test year and a revenue requirement of \$34.7859 million for 2006 test year. On March 22, 2005 the Board issued a Partial Decision and Order in this proceeding in which it ordered GLPL to establish a deferral account in which to record the revenue deficiency incurred by GLPL under currently approved transmission rates beginning January 1, 2005. Pursuant to the Settlement Proposal it was agreed, and adopted by the Board, that GLPL seek the recovery of deficiencies accrued in the deferral account for the period commencing April 1, 2005 to the date that the revised 2005 transmission rates are implemented. It was further agreed that GLPL would seek recovery of the deferral account balance as part of the 2006 uniform transmission rates. Accordingly, the revenue recovery methodology set out herein encompasses both the disposition of the deferral account and the revenue requirement for the 2006 test year.

As part of its determination on September 15, 2005 the Board concluded that the proceeding should be conducted in two phases – the first phase being the determination of GLPL's revenue requirement and the second phase being the establishment of a revenue recovery methodology in respect of the Board's Order in RP-1999-0044 (the "Uniform Transmission Rate Order").

Pursuant to the Uniform Transmission Rate Order dated April 30, 2002 (Proceedings RP-1999-0044, RP-2001-0034, 0035, and 0036), the uniform transmission rates for network, line connection and transformation were established based upon the combined approved revenue requirement for each licensed transmitter divided by the combined charge determinants for the transmitters. Pursuant to the Uniform Transmission Rate Order, transmission revenues collected from Ontario's transmission load customers were allocated to licensed transmitters pursuant to each licensed transmitter's proportionate share of the total revenue requirement. The allocation factors as prescribed in the April 30, 2002 Uniform Transmission Rate Order determine the proportionate share of the total provincial revenue requirement for the four individual transmitters Five Nations Energy Inc., Canadian Niagara Power Inc., Hydro One Networks Inc. ("Hydro One") and GLPL.

As indicated in the Board's Notice of Hearing in EB-2005-0501, the Board intends to review the revenue requirement of Hydro One and as such to consider the uniform transmission rates in the context of that proceeding. To permit rate stability until such a determination is made and to enable GLPL to achieve revenue recovery, the Board proposes a revenue recovery methodology whereby the uniform transmission rates in Ontario remain unchanged but the allocation of revenue arising from application of the uniform transmission rates is adjusted to provide GLPL with recovery of its approved revenue requirement. The allocation of revenues for Five Nations Energy Inc. and Canadian Niagara Power Inc. would remain unaffected and the allocation of revenues for Hydro One would be reduced to the extent that the allocation of revenues for GLPL is increased to provide for its approved revenue requirement.

The proposed revenue recovery methodology is as follows:

- (i) The GLPL revenue requirement currently set out in the Uniform Transmission Rate Order shall be replaced with the approved GLPL revenue requirement for 2006 (inclusive of the disposition of the deferral account balance accrued since April 1, 2005 being GLPL's 2005 deficiency arising from GLPL's approved revenue requirement and the application of current uniform transmission rates). For purposes of establishing a revenue recovery methodology, the approved revenue requirement of GLPL will be reduced by an adjustment factor to take into account that the Board has adopted an updated charge determinant forecast as part of the Settlement Proposal and said charge determinant forecast is different from the charge determinant forecast employed in the current Uniform Transmission Rate Order. Inclusion of GLPL's approved revenue requirement in the rate setting mechanism without any adjustment for the increment in charge determinants, as approved by the Board pursuant to the Settlement Proposal, would result in rates that would permit GLPL to over-recover.
- (ii) Hydro One's revenue requirement set out in the calculation of the Uniform Transmission Rate Order will diminish by the amount of the increase in GLPL's revenue requirement (including 2005 deferral and adjustment factor) over GLPL's 2002 approved revenue requirement included in the Uniform Transmission Rate Order. As a result, the total provincial revenue requirement stipulated in the Uniform Transmission Rate Order will remain unchanged. It is estimated that this would have the effect of reducing Hydro One's revenues by \$12.7740 million in the year 2006.

- (iii) The revenue allocation factors for GLPL and Hydro One will change. GLPL's allocation factor will increase from 1.927% to 2.907% while Hydro One's allocation factor will decrease from 97.273% to 96.293%. As a result, GLPL will recover its approved revenue requirement and the uniform transmission rates will remain unchanged.
- (iv) Accordingly, the Ontario Provincial Transmission Rates shall remain unchanged and, effective from January 1, 2006, the individual transmitters' proportionate share of the total provincial revenue requirement shall be as indicated in the table below.

Revised Revenue Allocators for Transmitters Effective January 1, 2006

Transmitter	<u>Network</u>	<u>Line Connection</u>	<u>Transformation Connection</u>
FNEI Allocation Factor	0.00423	0.00423	0.00423
CNPI Allocation Factor	0.00377	0.00377	0.00377
GLPL Allocation Factor	0.02907	0.02907	0.02907
H1N Allocation Factor	<u>0.96293</u>	<u>0.96293</u>	<u>0.96293</u>
Total of Allocation Factors	1.00000	1.00000	1.00000