
ATTACHMENT Q

2005 Board Decisions with PILS in Rates

Ontario Energy
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BY PRIORITY POST

March 18, 2005

Kenneth Walsh
Vice President, Engineering & Operations
London Hydro Inc.
111 Horton Street
London ON
N6B 3N9

Dear Mr. Walsh:

**Re: 2005 Electricity Distribution Rates
Board Decision and Order
Board File No. RP-2005-0013\EB-2005-0046**

The Board has now issued its Decision and Order for the above referenced proceeding and a copy is enclosed

Yours truly,

A handwritten signature in black ink, appearing to read "P. O'Dell", written over a horizontal line.

Peter H. O'Dell
Assistant Board Secretary



RP-2005-0013
EB-2005-0046

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
London Hydro Inc. for an order or orders approving
or fixing just and reasonable rates.

BEFORE: Gordon Kaiser
Vice Chair and Presiding Member

Paul Vlahos
Member

Pamela Nowina
Member

DECISION AND ORDER

Background and Application

In November 2003 the Ontario government announced that it would permit local distribution companies to apply to the Board for the next installment of their allowable return on equity beginning March 1, 2005. The Government also indicated that the Board's approval would be conditional on a financial commitment to reinvest in conservation and demand management initiatives, an amount equal to one year's incremental returns.

Also in November 2003, the Government announced, in conjunction with the introduction of Bill 4, the *Ontario Energy Board Amendment Act, (Electricity Pricing)*, 2003, that electricity distributors could start recovering Regulatory Assets in their rates, beginning March 1, 2004, over a four year period.

In February and March, 2004, the Board approved the applications of distributors to recover 25% of their December 31, 2002 Regulatory Asset balances (or additional amounts for rate stability) in their distribution rates on an interim basis effective March 1, 2004 and implemented on April 1, 2004.

On December 20, 2004 the Board issued filing guidelines to all electricity distribution utilities for the April 1, 2005 distribution rate adjustments. The guidelines allowed the applicants to recover three types of costs. These costs concern (i) the rate recovery of the third tranche of the allowable return on equity (Market Adjusted Revenue Requirement or "MARR"), (ii) the 2005 proxy allowance for payments in lieu of taxes ("PILs") and (iii) a second installment of the recovery of Regulatory Assets.

A generic Notice of the proceedings was published on January 25, 2005 in major newspapers in the province, which provided a 14 day period for submissions from interested parties. On February 4, 2005, the Board issued Procedural Order No. 1, providing for an extension for submissions until February 16, 2005 and also providing for reply submissions from applicants and other parties.

The Applicant filed an application for adjustments to their rates for the following amounts:

MARR: \$ 2,836,791

2005 PILs Proxy: \$ 5,652,029

Regulatory Assets: The Applicant also included the rate riders for the first of a three year recovery of regulatory assets as subsequently approved by the Board in the December 9, 2004 Decision with Reasons and the March 14, 2005 Order (RP-2004-0064/EB-2004-0318).

Submissions

The Board received one submission which addressed the 2005 rate setting process in general. This submission was made by School Energy Coalition (SEC). SEC objected to the guideline which caused the recovery of the 2005 PILs proxy to be reflected only on the variable charge. SEC was also concerned that monthly service charges and overall distribution charges varied significantly between utilities across the province. SEC also raised concerns regarding the consistency of, and access to, information on the applications as filed by the utilities.

Reply submissions to SEC's general submissions were received from the Coalition of Large Distributors, the Electricity Distributors Association, Hydro One Networks, and the LDC Coalition (a group of 7 distributors). These parties generally argued against the recommendations put forward by SEC, by and large indicating that the Board's existing processes for 2006 and 2007 have been planned to address these issues going forward and that these issues should not be added to the 2005 rates adjustment process.

The Applicant was not specifically named in any of these submissions.

The full record of the proceeding is available for review at the Board's offices.

Board Findings

The Board first addresses the general submission of SEC. While SEC raises important issues regarding electricity distribution rates, the Board has put in place a process which will address most of the issues raised by SEC on a comprehensive basis with coordinated cost of service, cost allocation and cost of capital studies for all distributors in 2006, 2007 and 2008. The Board does agree that unless there are compelling reasons to diverge from the Board's original filing guidelines for the 2005 distribution rate adjustment process, distributors should follow the guidelines in their applications.

The Board finds that the application conforms with earlier decisions of the Board (including approval for the Applicant's Conservation and Demand Management plan), directives and guidelines.

The Board will issue a separate decision on cost awards.

THE BOARD ORDERS THAT:

- 1) The rate schedule attached as Appendix "A" is approved effective March 1, 2005, to be implemented on April 1, 2005. All other rates currently in effect that are not shown on the attached schedule remain in force. If the Applicant's billing system is not capable of prorating to accommodate the April 1, 2005 implementation date, the new rates shall be implemented with the first billing cycle for electricity consumed or estimated to have been consumed after April 1, 2005.

- 2) The Applicant shall notify its customers of the rate changes, no later than with the first bill reflecting the new rates and include the brochure provided by the Board.

DATED at Toronto, March 18, 2005

ONTARIO ENERGY BOARD

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Peter H. O'Dell
Assistant Board Secretary

Appendix "A"

RP-2005-0013
EB-2005-0046

March 18, 2005

ONTARIO ENERGY BOARD

London Hydro Inc.
Schedule of Changed Distribution Rates and Charges
 Effective Date: March 1, 2005
 Implementation Date: April 1, 2005

RP-2005-0013
 EB-2005-0046

RESIDENTIAL

Monthly Service Charge	(per month)	\$9.90
Distribution Volumetric Rate	(per kWh)	\$0.0110
Final Rate Rider	(per kWh)	\$0.0036

RESIDENTIAL (Time of Use)

Monthly Service Charge	(per month)	\$9.90
Distribution Volumetric Rate	(per kWh)	\$0.0110
Final Rate Rider	(per kWh)	\$0.0036

GENERAL SERVICE < 50 KW

Monthly Service Charge	(per month)	\$27.31
Distribution Volumetric Rate	(per kWh)	\$0.0083
Final Rate Rider	(per kWh)	\$0.0018

GENERAL SERVICE > 50 KW (Non Time of Use)

Monthly Service Charge	(per month)	\$201.12
Distribution Volumetric Rate	(per kW)	\$1.0952
Final Rate Riders	(per kW)	\$0.6077

GENERAL SERVICE > 50 KW (Time of Use)

Monthly Service Charge	(per month)	\$201.12
Distribution Volumetric Rate	(per kW)	\$1.0952
Final Rate Rider	(per kW)	\$0.1279

COGENERATION BACKUP (Time of Use)

Standby Charge kW Rate	(per kW reserved)	\$2.2146
Monthly Service Charge	(per month)	\$2,480.78
Distribution Volumetric Charge	(per kW)	\$3.7909
Final Rate Rider	(per kW)	\$0.0668

LARGE USE

Monthly Service Charge	(per month)	\$11,398.07
Distribution Volumetric Rate	(per kW)	\$1.2301
Final Rate Riders	(per kW)	\$0.1173

London Hydro Inc.
Schedule of Changed Distribution Rates and Charges

RP-2005-0013
EB-2005-0046

Effective Date: March 1, 2005
Implementation Date: April 1, 2005

SENTINEL LIGHTS (Non Time of Use)

Monthly Service Charge	(per month <i>connection</i>)	\$0.41
Distribution Volumetric Rate	(per kW)	\$1.3405
Final Rate Rider	(per kW)	\$0.5121

STREET LIGHTING (Time of Use)

Monthly Service Charge	(per month <i>connection</i>)	\$0.24
Distribution Volumetric Rate	(per kW)	\$1.1951
Final Rate Rider	(per kW)	\$0.0985

Unmetered Scattered Loads

Distribution volumetric charge for un-metered, scattered loads will be billed as General Service Non-Time of Use (<50 kW) customers with a Monthly Service Charge the same as Sentinel Lighting Rate per connection.

Monthly Service Charge	(per connection)	\$0.41
Distribution Volumetric Rate	(per kWh)	\$0.0083
Final Rate Rider	(per kWh)	\$0.0018

The final rate riders on this schedule reflect the first of the three year recovery of regulatory assets as approved in the December 9, 2004 Decision with Reasons and the March 14, 2005 Order.