

Waterloo North Hydro Inc. Distribution Rate Adjustment Application

SUMMARY OF APPLICATION

EB-2008-0216 / ED-2002-0575

IN THE MATTER OF the Ontario Energy Board Act, 1998, S. O. 1998, c. 15, Schedule B of the Energy Competition Act, 1998:

AND IN THE MATTER OF an Application by Waterloo North Hydro Inc. for an order approving just and reasonable rates as set out in this Application in accordance with the Ontario Energy Board's Filing Guidelines for the Adjustments of the Electricity Distribution Rates and PILs for May 1, 2009 Distribution Rate Adjustments, issued October 3, 2008 and October 22, 2008.

1.0a Introduction

- 1.1 Waterloo North Hydro Inc. ("Waterloo North Hydro") submits this Application and supporting documentation for a rate adjustment and funding adder pursuant to the Ontario Energy Board's Filing Guidelines for May 1, 2009 Distribution Rate Adjustments and PILs, issued October 3, 2008 and October 22, 2008.
- 1.2 The utility continues to operate under the authority of a Board of Directors and has been incorporated as "Waterloo North Hydro Inc." under the Ontario *Business Corporations Act* since May 1, 2000. Waterloo North Hydro operates under Electricity Distribution Licence ED-2002-0575.
- 1.3 In February 2002, Waterloo North Hydro received approval for new rates, which included an adjustment for the second 1/3 of the Market Adjusted Rate of Return (MARR) increment effective March 1, 2002. These rates were implemented in April 2002.

- 1.4 In March 2004, Waterloo North Hydro received approval for new rates, which included an adjustment for the Regulatory Assets effective March 1, 2004. These rates were implemented on April 1, 2004.
- 1.5 In February 2005, Waterloo North Hydro received a rate adjustment to be effective March 1, 2005 and implemented on April 1, 2005 to its unbundled distribution rates to provide for the last third of MARR (with approved C&DM Plan), costs associated with Regulatory Assets and 2005 PILs as outlined in the December 20, 2004 filing guidelines.
- 1.6 Waterloo North Hydro received Board approval on April 12, 2006 for rate adjustments, effective and implemented May 1, 2006, to its unbundled distribution rates under a Cost of Service model, its associated 2006 PILs and costs associated with Regulatory Assets that were implemented as a rate rider, as outlined in the June 16, June 28 and July 12, 2005 filing guidelines issued by the OEB [EB-2005-0448]. Included in this rate approval were “negative” Regulatory Asset Recovery Rate Riders which in effect reduced customer bills.
- 1.7 Waterloo North Hydro received Board approval on April 12, 2007 for rate adjustments, effective and implemented May 1, 2007, to its unbundled distribution rates under an Incentive Regulation Mechanism, its associated 2007 PILs [EB-2007-0585] and a continuation of “negative” Regulatory Asset Recovery Rate Riders.
- 1.8 Waterloo North Hydro received Board approval on April 22, 2008, for rate adjustments, effective and implemented May 1, 2008, to its unbundled distribution rates under the implementation of the cost of capital and 2nd generation incentive regulation mechanism policies, and its associated 2008 PILs [EB-2007-0829].

1.9 In this filing, Waterloo North Hydro is seeking approval for rate adjustments, to be effective and implemented May 1, 2009, to its unbundled distribution rates under the implementation of the cost of capital and 2nd generation incentive regulation mechanism policies, its associated 2009 PILs, and adjustment to Retail Transmission Service Rates, as provided in the Board's October 3, 2008 and October 22, 2008 filing guidelines.

1.0b Company Size and Number of Customers

1.10 Waterloo North Hydro is a municipally owned electric distribution company. Waterloo North Hydro serves approximately 50,000 residential, commercial, and industrial customers in the City of Waterloo and the Townships of Wellesley and Woolwich.

1.0c Customer Profile

1.11 The Company currently uses six customer classes for the purpose of distribution rates and billing: Residential, General Service < 50 kW, General Service > 50 kW, Large Use, Street Lighting and Unmetered Scattered Load.

1.12 The General Service < 50 kW class includes a wide range of customers including: office buildings, medium and small commercial and industrial establishments, farms, apartment and condominium buildings.

1.13 The General Service > 50 kW class is typically comprised of large commercial and industrial customers.

1.14 The Large Use class consists of two large use customers with an average load over five megawatts per customer.

- 1.15 The Street Light class contributes less than 1% to the Company's current distribution revenue. This class is included in the 2009 Electricity Distribution Rate Model; however, it is not mentioned further in this Summary of Application due to its minor significance relative to the other rate classes.
- 1.16 The Unmetered Scattered Load class contributes less than 1% to the Company's current distribution revenue. This class is included in the 2009 Electricity Distribution Rate Model; however, it is not mentioned further in this Summary of Application due to its minor significance relative to the other rate classes.

1.0d Previously Denied Amounts

- 1.17 Waterloo North Hydro has not previously been denied for any amounts that are included in the account balances in this application.

2.0 Information supporting the data filed in this Application:

2.1 2008 EDR Tariff Sheet as Approved by the Board

Waterloo North Hydro has inserted its approved 2008 rates, including the 2008 Smart Meter Funding increment, as approved by the Board on April 22, 2008, in the 2009 IRM model.

2.3 Price Cap Adjustment

Waterloo North Hydro has used the model proxy value of 2.1% as the Price Escalator (GDP-IPI) as prescribed in the 2009 IRM Model. Waterloo North Hydro understands that the Board will adjust the inflation index in our 2009 IRM rate application model, when Statistics Canada publishes its final 2008 data in late February, 2009.

2.4 Smart Meter Funding Adder

On June 25, 2008 the Government of Ontario approved O. Reg. 235/08 which amended Reg. 427/06 (Smart Meters: Discretionary Metering and Procurement Principles) to add a new category of distributors that are authorized to undertake smart meter activities. This regulation authorizes metering activities pursuant to the Request for Proposal (RFP) for Advanced Metering Infrastructure issued on August 14, 2007 by London Hydro Inc. and other named distributors. Waterloo North Hydro was a named party to the RFP and thus, has commenced its smart meter activities.

Waterloo North Hydro has proposed an adjustment of its monthly smart meter funding adder for its metered customers and has chosen the standard \$1.00 per month per metered customer smart meter funding adder. The proposed adjusted smart meter adder is reflected in Sheet J1.1 of the IRM model.

WNH estimates that the number of meters to be installed in the rate test year to be approximately 49,000.

WNH does not have all of the contractual arrangements in place at this time, negotiations are currently in process. WNH has a preliminary estimate of a total cost of \$179 per meter. This preliminary total cost estimate includes Smart Meter Unit Costs, Installation, Infrastructure, Communications, Meter Base Repairs and OM&A. This estimate does not include the Cost of Funds. WNH has a preliminary estimate of total smart meter costs (as listed above) of approximately \$8.8m in the rate test year.

2.4 Smart Meter Funding Adder - continued

Current smart meter technology available meets minimum functionality of O. Reg. 425/06, with minor functionality enhancements that are provided at no additional cost.

WNH does not expect to incur costs associated with functions for which the Smart Metering Entity (SME) has the exclusive authority to carry out pursuant to O. Reg. 393/07. WNH is undertaking activities to test and commission the AMI systems and does not intend to duplicate the expected SME activities.

2.5 Federal Tax Adjustment

Waterloo North Hydro has included in Sheet D2.1 the model calculated rate impact of a decrease of .2% which reflects the decrease in the federal tax rate effective January 1, 2009.

2.6 Retail Transmission Service Rate Adjustments

Further to the Board's Decision EB-2008-0113 on August 28, 2008 of the Adjustment of Hydro One Network Inc.'s Retail Transmission Service Rates effective January 1, 2009 and their filing instruction of October 22, 2008, Waterloo North Hydro has adjusted its rates as follows:

Network			Connection		
Current Nov 1/07 - Dec 31/08 EB-2007-0759	Approved Effective Jan 1/09 EB-2008-0113	Increase	Current Nov 1/07 - Dec 31/08 EB-2007-0759	Approved Effective Jan 1/09 EB-2008-0113	Increase
\$2.31	\$2.57	\$.26	\$2.20	\$2.32	\$.12
		11.3%			5.5%

3.0 Rate Impacts/Mitigation

The following chart indicates the current and proposed distribution rates calculated as per the 2009 IRM Model:

Class	Current Rates: Service Charge/ Volumetric Charge	Proposed Rates: Service Charge/ Volumetric Charge	\$ Increase (Decrease) in Distribution Charge	% Increase (Decrease) in Distribution Charge
Residential	\$ 15.05 \$.0134	\$ 15.83 \$.0134	\$.78 \$.0000	5.2% 0.0%
Gen. Service < 50 kW (kWh)	\$ 31.37 \$.0107	\$ 32.20 \$.0107	\$.83 \$.0000	2.6% 0.0%
Gen. Service > 50 kW (kW)	\$ 190.20 \$ 3.6275	\$ 191.49 \$ 3.6381	\$ 1.29 \$.0106	0.7% 0.3%
Large User (kW)	\$ 6,791.60 \$ 2.7755	\$6,812.12 \$ 2.7836	\$ 20.52 \$.0081	0.3% 0.3%

The Smart Meter Funding Adder proposed is an increase to \$1.00 per month per metered customer from the current rate adder of \$.26 per month per metered customer.

The impact of the distribution rate changes reflects a combination of the proposed .30% increase to the rate classes plus the Smart Meter Funding Adder increase. The .3% increase is derived from the Total Price Cap Adjustment of the Proxy Price Escalator (GDP-IPI) of 2.1%, reduced by the Average Annual Expected Productivity Gain (X) of (1.0%), the K Factor Adjustment of (.6%) and the Federal Tax Adjustment of (.2%).

3.1 Rate Impacts/Mitigation on Total Bill

The following chart indicates a comparison between bills, based upon a customer's Total Bill including Taxes, on an Annualized Basis (as per the Bill Impact Sheets), including a commodity component and other charges to get an order of magnitude.

Class	2008 Bill	2009 Bill	\$ Increase (Decrease)	% Increase (Decrease)
Residential (1,000 kWh)	\$ 117.35	\$ 118.84	\$ 1.49	1.3%
Gen. Service < 50 kW (2,000 kWh)	\$ 233.01	\$ 235.20	\$ 2.19	0.9%
Gen. Service > 50 kW (100,000 kWh/250kW)	\$ 10,342.89	\$ 10,406.04	\$ 63.15	0.6%
Large User (2,600,000 kWh / 5,000 kW)	\$250,645.72	\$252,112.07	\$ 1,466.35	0.6%

Waterloo North Hydro remains committed to the principle that significant increases or decreases be managed so as to mitigate undue rate impacts in all rate classes. We are also concerned that customers understand the rate impacts. Two critical measures of the impact analysis for each rate class are the percentage increase from current rates, and the respective dollar amount of the impact. Providing both the dollar impact and the percentage change puts the increase in the proper context. Waterloo North Hydro used both percentages and dollar amounts to demonstrate relative impacts. As indicated above there is an increase of .6% to 1.3% on the total bill including taxes, to all classes after all proposed rate adjustments have been accounted for.

3.2 Rate Impacts/Mitigation - Proposed Rate Schedule

The following is Waterloo North Hydro's proposed Distribution Rates for the Board's approval based on the 2009 IRM Model:

Classification	Rate
RESIDENTIAL	
Monthly Service Charge	\$ 15.83
Distribution Volumetric Rate (per kWh)	\$.0134
GENERAL SERVICE < 50kW	
Monthly Service Charge	\$ 32.20
Distribution Volumetric Rate (per kWh)	\$.0107
GENERAL SERVICE > 50kW (Non Time of Use)	
Monthly Service Charge	\$ 191.49
Distribution Volumetric Rate (per kW)	\$ 3.6381
LARGE USER	
Monthly Service Charge	\$ 6,812.12
Distribution Volumetric Rate (per kW)	\$ 2.7836
STREET LIGHTING	
Monthly Service Charge	\$ 0.34
Distribution Volumetric Rate (per kW)	\$ 6.8934
GENERAL SERVICE Unmetered Scattered Load	
Monthly Service Charge	\$ 15.60
Distribution Volumetric Rate (per kWh)	\$.0106

Waterloo North Hydro proposes to implement the new rates as of May 1, 2009. Waterloo North Hydro will prorate the customers' bills in order that consumption prior to May 1, 2009 will be billed at its current rates and post May 1, 2009 consumption will be billed at the rates proposed in this rate application.

4.0 Publishing Notice of Rate Change

Waterloo North Hydro is prepared to publish a Notice concerning this rate change in the local newspaper to inform electricity customers of the proposed changes to distribution rates.

Waterloo North Hydro expects its customers may require further information about rate impacts as a result of this application. It will undertake to inform and explain the rate changes and the reasons for them to customers.

Dated at Waterloo, Ontario this 5th day of November 2008.

Original signed by

Rene W. Gatien, P. Eng., MBA
President & CEO
Waterloo North Hydro Inc.