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Message To:

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| KATHI LITT |  
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**BY FAX**

May 3, 2002

**REGULATORY SERVICES  
 MAY 06 2002**

Mr. R. Zebrowski  
 Vice President, Regulatory Services  
 Toronto Hydro-Electric System Limited  
 14 Carleton Street  
 Toronto, Ontario  
 M5B 1K5

Dear Mr. Zebrowski:

**Re: Toronto Hydro-Electric System Limited  
 Rate Application for May 1, 2002 - Revenue Neutral Rate Changes  
 Board File No: RP-2002-0002/EB-2002-0269**

The Board has today issued its Interim Decision and Order in the above matter and an executed copy is enclosed herewith.

Yours truly,

Paul B. Pudge  
 Board Secretary

Encl.

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70		DEC 13 2005	
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Ontario Energy  
Board

Commission de l'Énergie  
de l'Ontario



RP-2002-0002  
EB-2002-0269

**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 Toronto  
Hydro-Electric System Ltd. for an order or orders  
approving or fixing just and reasonable rates.

**BEFORE:** Bob Betts  
Presiding Member

Paul Vlahos  
Vice Chair and Member

### INTERIM DECISION AND ORDER

Toronto Hydro-Electric System Ltd. ("the Applicant") filed an Application ("the Application"), dated March 22, 2002, for an order or orders under section 78 of the *Ontario Energy Board Act, 1998* approving or fixing just and reasonable rates to be charged by electricity distributors, effective May 1, 2002.

The Applicant applied to adjust its distribution and transmission rates in the following ways:

- Conversion of the basis of demand measurement for distribution rates to the "clock hour" standard which is presently used for Retail Transmission rates as approved under Interim Decision and Order RP-2000-0021/EB-2001-0097/EB-2001-0636

-2 -

- Conversion of the customer and demand based rates, which are presently approved as Distribution and Retail Transmission rates under Decision and Order RP-2002-0002 / EB-2002-011, and Interim Decision and Order RP-2000-0021 / EB-2001-0097 / EB-2001-0636, from a "monthly" basis to a "30 day" basis.
- A correction to the Total Loss Factor for primary metered customers under 5,000 kW presently approved under Interim Decision and Order RP-2000-0021 / EB-2001-0097 / EB-2001-0636 from a value of 1.0273 to 1.0272.
- Harmonization of the existing Cogeneration Backup rates which are set to expire upon Market Opening and presently approved under Decision and Order RP-2002-0002 / EB-2002-0011. In the event that circumstances prevent the Board from granting approval of the proposed Standby Facility Charges effective May 1, 2002, interim authorization to continue charging the existing Cogeneration Backup rates until such time as they are succeeded by approved Standby Facility Charges.

The Applicant stated that, except for the proposed harmonization of the existing Cogeneration Backup rates all of the proposed rate changes are revenue neutral. The Applicant also stated that the proposed harmonization of the Cogeneration Backup rates, would result in Toronto Hydro-Electric System Ltd. collecting approximately \$230,000 more revenue.

The Applicant advised the Board that it provided copies of its Application and the associated evidence to the Intervenors of Record in Toronto Hydro Electric System's latest rate adjustment proceeding (RP-2002-0002/EB-2002-0011). The Applicant subsequently indicated to the Board that it had received no responses from the recipients.

Copies of the Application and supporting material are available for review at the Board's offices. While the Board has considered all of the evidence filed in this proceeding, the Board has only referenced the evidence to the extent necessary to provide background to its findings.

Conversion of the Basis of Demand Measurement for Distribution Rates to the "Clock Hour"

Toronto Hydro-Electric System Ltd. requested permission to convert all demand measurements, for interval meter customers, to the "clock hour" basis which had been accepted as the standard for the wholesale settlement system and the Applicant's existing retail transmission rates. The Applicant also stated that the continuation of the measurement of demand according to the current "15 minute clock" or "60 minute rolling" for distribution rates would create needless complexity both for the interval meter customer and for the billing system, and that a more transparent and intuitively appealing approach would require the conversion of all wholesale and retail demand measurements to the "clock hour" basis.

The Applicant stated that the demand measured either on a "15 minute clock" or a "60 minute rolling" basis would be higher than the demand measured on a "clock hour" basis and proposed conversion factors to maintain revenue neutrality in the affected rate classes.

Toronto Hydro-Electric System Ltd. indicated that the proposed Distribution Volumetric Rates (per kVA) for the interval meter customers would be derived by applying the proposed conversion factors to the existing approved Distribution Volumetric Rates (per kVA). The Applicant also provided evidence in support of the derivation of the proposed conversion factors.

The Board finds the Applicant's proposal to convert all demand measurements to the "clock hour" basis and the associated adjustments to the Distribution Volumetric Rates (per kVA) for the interval meter customers to be reasonable.

Conversion from a "Monthly" Basis to a "30 Day" Basis for Customer and Demand Based Rates

The Applicant proposed to convert the existing customer related charges (the distribution Monthly Service Charges and the standard supply service Administration Charges) and the demand based rates (the Distribution Volumetric [per kVA] Rates and the Transmission [per kVA] Rates) from a "monthly" to a "30 Day Basis", enabling the Applicant to prorate these charges and rates on a daily basis.

The Applicant stated that according to the current billing practice, only bills which fall outside a window (or range) of 20 to 40 days would be prorated, whereas the proposed "30 day" basis would enable the Applicant to prorate these charges and rates on a daily basis. The Applicant submitted that the current window system has been a source of customers complaints and the "30 day" based customer charges and demand rates would result in more transparent and intuitively appealing bills than current bills.

Toronto Hydro-Electric System Ltd. submitted that the costs recovered from these charges and rates are not inherently "monthly", rather, they are annual costs which are recovered in 12 parts. The Applicant proposed to state these charges and rates on a "30 day" rather than a "monthly" basis without changing the annual amount recovered by these charges and rates.

The Applicant stated that the proposed customer related charges and the demand related rates would be derived by the application of a conversion factor of 0.9863 to the existing approved charges and rates and that the conversion factor is based on the existing billing practice of a "month" representing 30.417 (365 / 12) days on average, rather than the proposed basis of 30 days.

The Applicant indicated that their new billing system set to be used on the opening of the market on May 1, 2002 has been redesigned to incorporate the "30 day" system approach.

The Board finds that the Applicant's proposal to convert existing customer related charges (the distribution Monthly Service Charges and the standard supply service Administration Charges) and the demand based rates (the Distribution Volumetric [per kVA] Rates and the Transmission [per kVA] Rates) from a "monthly" to a "30 Day Basis" is reasonable.

Correction to the Total Loss Factor for Primary Metered Customers  
Under 5,000 kW

The Applicant stated that, under the approved Schedule of Other Regulated Rates, the Total Loss Factor for primary metered below 5,000 kW customers was 1.0273. The Applicant submitted that Toronto Hydro-Electric System Ltd.'s billing system calculates this factor as 1.0272 rather than 1.0273 due to rounding.

The Board finds that the Applicant's proposed revision to the Total Loss Factor for primary metered below 5,000 kW customers is acceptable.

#### Harmonization of the Existing Cogeneration Backup rates

The Applicant proposed to harmonize its existing cogeneration rates for the different offices of the utility. The Applicant submitted that this proposal would result in Toronto Hydro-Electric System Ltd. collecting approximately \$230,000 more revenue. The Applicant noted that the amount expected is less than 0.2% of the distribution revenue recovered from the customer classes eligible for Standby Facility services in 1999.

The Board notes that, for cogeneration backup rates, the existing approved rate schedule, effective March 1, 2002 (RP-2002-0002 / EB-2002-0011), states that "After Electricity Market Opening, the standby facility charge will be replaced by the applicable class distribution rate". The Applicant's proposed Standby Facility Charges, effective May 1, 2002, are based on the existing Distribution Volumetric Rates.

The Board also notes that the proposed revised structure for the Standby Facility rate includes a Backup Overrun Charge which is twice as high as the proposed Standby Charge and that this charge does not exist in the Applicant's existing approved rate schedule. Although the Applicant stated that the proposed Backup Overrun Charge would be a deterrent rate to discourage understatement of backup requirements by the Standby Facility customers, it did not provide any specific justification for why the Backup Overrun Charge should be set at a level two times as high as the proposed Standby Charges.



- 7 -

The Board observes that the proposed billing methodology for the Standby Facility Charge is different from the existing billing methodologies for the Standby Facility Charges at the different offices of Toronto Hydro-Electric System Ltd.

The Board further observes that the proposed billing methodology for the revised Standby Facility Charges is complex and requires a better understanding of its application under the different operation scenarios of the parallel generation facilities.

The Applicant stated that in the event that circumstances prevent the Board from granting approval of the proposed Standby Facility Charges effective May 1, 2002, then the utility requests interim authorization to continue charging the existing cogeneration Standby Charges after May 1, 2002.

The Board notes that the proposed Standby Facility Charges would increase rates to a specific group of customers and generate additional revenue for the Applicant.

Therefore, the Board grants authorization to Toronto Hydro-Electric System Ltd. to continue charging the existing cogeneration Standby Charges after May 1, 2002 on an interim basis, until customers effected by the changes can be notified and their comments received.

The Board will issue a Letter of Direction to the Applicant outlining its expectation for notification to the Applicant's customers regarding the proposed Standby Facility Charges.

The Board further advises the Applicant that if a final decision should be made reversing this Interim Decision, that the Board may also order retroactive adjustments be made.

Ontario Energy Board

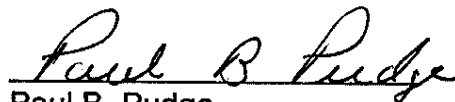
- 8 -

**THE BOARD ORDERS THAT:**

- 1) The rates set out in Appendix "A" of this Order are approved on an interim basis, effective May 1, 2002.
- 2) The Applicant shall notify its customers of the rate changes coincident with the first bill reflecting the new rates.

DATED at Toronto, May 1, 2002.

ONTARIO ENERGY BOARD

  
Paul B. Pudge  
Board Secretary