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For immediate release

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OEB Issues Decision on Generic 2006 Electricity Distribution Rates Issues

Toronto – Today, the Ontario Energy Board (OEB) issued a Decision on a number of common issues regarding 2006 electricity distribution rates.

The issues considered include:

- Whether capital and operating costs related to smart meters should be included in the 2006 revenue requirement;
- Whether deferral accounts should be established for certain distribution costs;
- Whether the Board should develop a standardized methodology for standby rates for load-displacement distributed generation, and if so, what the rate design basis should be; and
- Whether the Board should establish deferral accounts for the disposition of rate mitigation revenue shortfalls, low voltage charge variances, and material bad debt.

In its Decision, the Board found that for some twenty utilities that applied for smart meters funds in 2006 rate applications, the total amount included in the revenue requirement should be \$3.50 per meter for each month during the rate year that each smart meter is installed. This formula determines the total additional funds that those utilities can recover through rates: it does not mean that individual customer bills will increase by this amount. In addition, distribution rates for customers will not change as a result of a smart meter being installed at their home or business. Utilities will maintain variance accounts to deal with the differences between this amount and actual costs.

The Board considered that given the critical nature of the supply situation and the importance of conservation, specific smart meter funding in the amount of 30 cents per customer per month is appropriate for the remaining utilities that had not originally applied for smart meter funds. These utilities will also be required to establish variance accounts for both capital and operating expenses to track differences between this amount and actual costs.

As a condition of granting rate applications, all utilities will be required to file their plans for smart meter investment in the 2006 rate year within 90 days of this Decision. They will also be required to file quarterly and annual reports on the progress of their smart meter programs.

The Government of Ontario has established targets for the installation of 800,000 smart electricity meters by December 31, 2007, and installation of smart meters for all Ontario customers by December 31, 2010.

With respect to standby service rates for load-displacement distributed generation, the Board noted that distributed generation can yield system-wide benefits for electricity distribution and that these benefits should be recognized in appropriate stand-by rates. The Board found that further detailed review of this issue is required. Pending further review, the Board found that all existing and proposed standby rates will be declared interim, in order to protect the interests of all parties concerned. The Board also noted that standardized treatment of localized generation across all utilities is preferable, but that standardized treatment does not necessarily mean standardized rates. It will address this matter in the upcoming distribution rate design review.

The Board also made individual findings for each category of costs or foregone revenues for which deferral accounts had been proposed.

The Ontario Energy Board regulates the province's electricity and natural gas sectors in the public interest. It envisions a healthy and efficient energy sector with informed consumers, and works towards this vision through regulatory processes that are effective, fair and transparent.

For more information on the Board, please visit our Web site at www.oeb.gov.on.ca or contact the Consumer Relations Centre at 416-314-2455 or toll-free at 1-877-632-2727.

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