Ontario Energy Board Commission de l'Énergie de l'Ontario



RP-2005-0020 EB-2005-0391

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 Milton Hydro Distribution Incorporated for an order or orders approving or fixing just and reasonable distribution rates and other charges, effective May 1, 2006.

BEFORE: Paul Vlahos Presiding Member

> Bob Betts Member

DECISION AND ORDER

Milton Hydro Distribution Incorporated ("Milton Hydro" or the "Applicant") is a licensed distributor providing electrical service to consumers within its defined service area. Milton Hydro filed an application (the "Application") with the Ontario Energy Board (the "Board") for an order or orders approving or fixing just and reasonable rates for the distribution of electricity and other matters, to be effective May 1, 2006.

Milton Hydro is one of over 90 electricity distributors in Ontario that are regulated by the Board. To streamline the process for the approval of distribution rates and charges for these distributors, the Board developed and issued the 2006 Electricity Distribution Rate Handbook (the "Handbook") and complementary spreadsheet-based models. These materials were developed after extensive public consultation with distributors, customer groups, public and environmental interest groups, and other interested parties. The Handbook contains requirements and guidelines for filing an application. The models

Also included in this process was a methodology and model for the final recovery of regulatory assets flowing from the Board's decision dated December 9, 2004 on the Review and Recovery of Regulatory Assets – Phase 2 for Toronto Hydro, London Hydro, Enersource Hydro Mississauga and Hydro One Networks Inc. In Chapter 10 of the decision, the Board outlined a Phase 2 process for the remaining distributors. By letter of July 12, 2005, the Board provided guidance and a spreadsheet-based model to the distributors for the inclusion of this recovery as part of their 2006 distribution rate applications.

As a distributor that is embedded in Hydro One Network's low voltage system, the Applicant has included the recovery of certain Regulatory Assets that have been allocated by Hydro One Networks. The amount claimed by the Applicant was provided by Hydro One Networks as a reasonable approximation of the actual amount that Hydro One Networks will assess the Applicant. To the degree that the amount differs from the actual amount approved for Hydro One Networks in another proceeding (RP-2005-0020/EB-2005-0378), this difference will be reconciled at the end of the Regulatory Asset recovery period, as set out in the Phase II regulatory assets decision issued on December 9, 2004 (RP-2004-0064/RP-2004-0069/RP-2004-0100/RP-2004-0117/RP-2004-0118).

In its preliminary review of the 2006 rate applications received from the distributors, the Board identified several issues that appeared to be common to many or all of the distributors. As a result, the Board held a hearing (EB-2005-0529) to consider these issues (the "Generic Issues Proceeding") and released its decision (the "Generic Decision") on March 21, 2006. The rulings flowing from that Generic Decision apply to this Application, except to the extent noted in this Decision. The Board notes that pursuant to ss. 21 (6.1) of the *Ontario Energy Board Act, 1998*, and to the extent that it is pertinent to this Application, the evidentiary record of the Generic Issues Proceeding is part of the evidentiary record upon which the Board is basing this Decision.

In December 2001, the Board authorized the establishment of deferral accounts by the distributors related to the payments that the distributors make to the Ministry of Finance

in lieu of taxes. The Board is required, under its enabling legislation, to make an order with respect to non-commodity deferral accounts once every twelve months. The Board has considered the information available with respect to these accounts and orders that the amounts recorded in the accounts will not be reflected in rates as part of the Rate Order that will result from this Decision. The Board will continue to monitor the accounts with a view to clearing them in due course.

Public notice of the rate application made by Milton Hydro was given through newspaper publication in its service area. The evidence filed was made available to the public. Interested parties intervened in the proceeding. The evidence in the Application was tested through written interrogatories from Board staff and intervenors, and intervenors and the Applicant had the opportunity to file written argument. While the Board has considered the entire record in this proceeding, it has made reference in this Decision only to such evidence and argument as is necessary to provide context to its findings.

Milton Hydro has requested an amount of \$9,858,573 as revenue to be recovered through distribution rates and charges. Included in this amount is a credit of \$400,511 for the recovery of regulatory assets. Except where noted in this Decision, the Board finds that Milton Hydro has filed its Application in accordance with the Handbook and the guidelines for the recovery of regulatory assets.

Notwithstanding the Milton Hydro's general compliance with the Handbook and associated models, in considering this Application the Board reviewed the following matters in detail:

- Low Voltage Rates;
- Customer Class Allocation Factors;
- Conservation and Demand Management ("CDM") Funding;
- Bad Debt;
- Lost Revenue; and
- Impact of the Generic Decision (EB-2005-0529).

Low Voltage Rates

Milton included in its Application recovery of ongoing Low Voltage ("LV") charges that Hydro One Networks will be levying on Milton for Low Voltage wheeling distribution services provided to Milton.

The Board notes that this estimate reflects Hydro One Networks' current approved LV rate of \$0.56/kW. The Board further notes that Hydro One Networks applied for an LV rate of \$0.63/kW in its 2006 rate Application RP-2005-0020/EB-2005-0378, and the Board has approved this rate.

The Board is of the view that the LV adjustment that Milton has included in its Application is insufficient to recover its expected LV charges in 2006, as this amount does not reflect the updated Hydro One Networks rate. Although the Generic Decision provides that embedded distributors are to track differences between LV costs charged by the host distributor(s) and corresponding revenues recovered from ratepayers, the Board seeks to minimize systemic sources of variance. The Board is of the view that Milton's rates should reflect the LV rates authorized by the Board for the host distributor. Accordingly, the Board has revised the amount for LV charge recovery in Milton's revenue requirements.

Customer Class Allocation Factors

Milton Hydro proposed to depart from the default allocation of the revenue requirements, which is based on the 2004 customer numbers and a three year average of delivery volumes (2002-2004). Milton Hydro proposed to use 2004 customer count and volumes.

Milton Hydro stated that rapid growth and shifting of load among customer classes has changed the mix of the customer class base. As a result, the default customer class allocation does not realistically reflect the expected load from customer classes.

The Vulnerable Energy Consumers Coalition ("VECC") was the only intervenor to comment on this issue. VECC stated that it reviewed the rationale put forward by Milton Hydro and submitted that the Board should adopt the customer class allocation factors as proposed by the Applicant.

The 2006 Handbook requires distributors to file schedule 9-4 if proposing non-default customer class allocation factors. As well, the distributor must provide a detailed

explanation and justification at the end of the schedule. Milton Hydro has satisfied these requirements. The Board finds that the proposed customer class allocation factors are appropriate and approves them for the 2006 rates.

CDM Funding

Milton Hydro applied for approval to recover \$360,000 in distribution rates to be invested in Conservation and Demand Management ("CDM") activities.

Milton Hydro has not provided any total resource cost ("TRC") effectiveness analysis to support approval of their programs. In the Report of the Board, TRC cost effectiveness analysis was identified as a requirement for approval of incremental funding for CDM.

Milton Hydro did not provide any reply submission or argument. However, in response to an interrogatory by VECC, Milton Hydro indicated that "[TRC effectiveness testing as a] prerequisite to approval would be a significant barrier to the development or even consideration of these types of programs which seem fundamental to the direction that our Province wants to take. We consider our programs to be Market Support in nature and have provided assessment criteria in our plan."

VECC stated that it "has some sympathy" for Milton Hydro's position with respect to Market Support programs and that all programs may not be amenable to (TRC) analysis, but unless there are clear benefits to offset the costs of utility participation in such programs, this practice will simply increase the cost of electricity in 2006. VECC submitted that the Board should not approve the proposed level of incremental spending by Milton Hydro unless the program spending is rebalanced to include spending on programs (including those for low income and social housing) that meet the TRC test.

The Board notes that in the decision on the Generic CDM Issues RP-2005-0020 / EB-2005-0523, the Board adopted the TRC test as the prudence test for CDM spending. Some of Milton Hydro's programs are "market support" and do not allow for TRC testing. However, other programs within Milton Hydro's CDM plan are not "market support." Without the TRC cost effectiveness measure on the programs proposed by Milton Hydro, the Board cannot determine if the CDM expenditures are prudent. As a result, the Board will not approve the proposed \$360,000 for incremental CDM spending.

Bad Debt

Milton Hydro is proposing to recover a loss of \$181,609 plus carrying charges due to the bankruptcy of a large volume customer in 2001. Milton Hydro stated that "the losses are material in nature and are not the result of any decision made by management. Although these costs are out of period, they are nevertheless eligible for recovery because they were brought to the attention of the Board at the first subsequent rate application".

In 2002 Milton Hydro applied to the Board for recovery of this amount as an extraordinary event. That application was stayed by Bill 210, which imposed a rate freeze and made all then-existing rates final. Bill 210 also imposed a requirement to obtain leave from the Minister of Energy to bring forward an application to the Ontario Energy Board.

Milton Hydro sought approval from the Minister of Energy to recover this Extraordinary Event Loss in a future rate submission. On November 9, 2004, Milton Hydro received permission from the Minister of Energy to "proceed to the Ontario Energy Board with an application for an adjustment in distribution rates to address the loss related to this extraordinary event".

In 2005, Milton Hydro applied to recover the net loss associated with the above noted bankruptcy. In the Board's Decision and Order RP-2005-0013, EB-2005-0050, the Board approved only the portion of the application that conformed to the Board's original filing guidelines for the 2005 distribution rate adjustment process. The Decision noted that the "Applicant may wish to apply for other specific changes to rates in a separate application as this process did not contemplate such adjustments."

VECC noted that Milton Hydro has made repeated efforts in past to address this matter and did receive permission from the Ministry of Energy to proceed to the OEB with an application to recover the bankruptcy losses. VECC also stated that the amount involved significantly exceeds the materiality threshold established by the Board. As a result, VECC believes that the requested recoveries would have qualified for recovery under the PBR-framework established by the Board for the period prior to May 1, 2006. VECC submitted that it accepts the proposed one-year recovery period given that the total bill impacts are generally negative or, if positive, less than 1%. The Board will not authorize the recovery of this bad debt amount because the Board views the amounts being sought to be out of period. This request by the Applicant is unusual and there is a high onus on the Applicant to demonstrate why it is appropriate to recover the out of period amounts. Agreeing to the Applicant's request would constitute retroactive ratemaking, a practice not endorsed by the Board. The Applicant's request would have been out of period even if their original application in 2002, or subsequent application because of the Minister's leave, had been considered by the Board. The Board notes that a portion of the loss was associated with the commodity. However, the Board reminds Milton Hydro that electricity distribution companies have their rates set based on a number of cost factors including the compensation for business risk. Even though there is no explicit risk premium associated with the commodity element, the overall premium is sufficient to provide adequate compensation to Milton's shareholders. In making this finding, the Board has concluded that failure to recover the requested amount will not cause unmanageable financial hardship to the Applicant.

Loss of Revenue

Milton Hydro is proposing to recover a loss of revenue in 2004 and 2005 of \$279,280 plus carrying charges associated with the significant reduction in operations of a large volume consumer. Milton Hydro had previously filed for recovery of lost revenues in their rate submission for 2005 rates.

In the Board's Decision and Order RP-2005-0013, EB-2005-0050, the Board approved only the portion of the application that conformed to the Board's original filing guidelines for the 2005 distribution rate adjustment process. The Decision noted that the "Applicant may wish to apply for other specific changes to rates in a separate application as this process did not contemplate such adjustments."

The loss Milton is proposing to recover relates to the two year loss of revenue associated with the reduction in operations of a large customer in a prior period. The revenue impact for 2004 is already reflected in Milton's overall revenue requirement request for 2006 rates. The impact in 2005 is similar to that of 2004. Therefore, there is no ongoing revenue loss associated with this large volume consumer. The Board will not authorize the recovery of this amount because the request by the Applicant is unusual and there is a high onus on the Applicant to demonstrate why it is appropriate to recover the out of period amounts. Agreeing to the Applicant's request would

constitute retroactive ratemaking, a practice not endorsed by the Board. Electricity distribution companies have their rates set based on a number of cost factors including the compensation for business risk. The loss of a customer falls in that category, especially when the request is for, or includes, a past period. As before, in making this finding, the Board has concluded that failure to recover the requested amount will not cause unmanageable financial hardship to the Applicant.

Consequences of the Generic Decision on this Application

The Generic Decision contains findings relevant to funding for smart meters for electricity distributors. The Applicant did not file a specific smart meter investment plan or request approval of any associated amount in revenue requirement. Absent a specific plan or discrete revenue requirement, the Generic Decision provides that \$0.30 per residential customer per month be reflected in the Applicant's revenue requirement. The Board finds that this increase in the revenue requirement amount will be allocated equally to all metered customers and recovered through their monthly service charge. This increment is reflected in the approved monthly service charges contained in the Tariff of Rates and Charges appended to this Decision. Pursuant to the Generic Decision, a variance account will be established, the details of which will be communicated in due course.

Resulting Revenue Requirement

As a result of the Board's determinations on these issues, the Board has adjusted the revenue requirement to be recovered through distribution rates and charges to \$9,567,351, and a credit amount of \$400,511 for the recovery of Regulatory Assets.

In its letter of December 20, 2004 to electricity distributors, the Board indicated that it would consider the disposition of the 2005 OEB dues recorded in Account 1508 in this proceeding. However, given that the final 2005 OEB dues are not available because of the difference in fiscal years for the Board and the distributors, and given that the model used to develop the Application does not incorporate this provision, the Board will review and dispose of the 2005 OEB dues at a later time.

Cost Awards

This Application is one of a number of applications before the Board dealing with 2006 rates chargeable by distributors. Intervenors may be parties to multiple applications and, if eligible, their costs associated with a specific distributor may not be separable.

Therefore, for these applications, the matter of intervenor cost awards will be addressed by the Board at a later date, upon the conclusion of the current rate applications. If an intervenor that is eligible to recover its costs is able to uniquely identify its costs associated with this Application, it must file its cost claim within 10 days from the receipt of this Decision.

THE BOARD ORDERS THAT:

- 1) The Tariff of Rates and Charges set out in Appendix "A" of this Order is approved, effective May 1, 2006, for electricity consumed or estimated to have been consumed on and after May 1, 2006. The application of the revised distribution rates shall be prorated to May 1, 2006. If Milton Hydro Distribution Incorporated's billing system is not capable of prorating changed loss factors jointly with distribution rates, the revised loss factors shall be implemented upon the first subsequent billing for each billing cycle.
- 2) The Tariff of Rates and Charges set out in Appendix "A" of this Order supersedes all previous distribution rate schedules approved by the Ontario Energy Board for Milton Hydro Distribution Incorporated, and is final in all respects.
- 3) Milton Hydro Distribution Incorporated shall notify its customers of the rate changes no later than with the first bill reflecting the new rates.

DATED at Toronto, April 12, 2006.

ONTARIO ENERGY BOARD

John Zych Board Secretary

Appendix "A"

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April 12, 2006

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Milton Hydro Distribution Inc. TARIFF OF RATES AND CHARGES Effective May 1, 2006

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

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APPLICATION

- The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Codes, Guidelines or Orders of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

 No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code, Guideline or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.
This schedule does not contain any rates and charges relating to the electricity commodity (e.g. the Regulated Price Plan).

EFFECTIVE DATES

DISTRIBUTION RATES - May 1, 2006 for all consumption or deemed consumption services used on or after that date. SPECIFIC SERVICE CHARGES - May 1, 2006 for all charges incurred by customers on or after that date. LOSS FACTOR ADJUSTMENT – May 1, 2006 unless the distributor is not capable of prorating changed loss factors jointly with distribution rates. In that case, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

SERVICE CLASSIFICATIONS

Residential

This classification refers to the supply of electrical energy to detached, semi-detached and townhouse residential buildings as defined in local zoning bylaws. A residential service is a single-family unit used for domestic or household purposes, including seasonal occupancy. At Milton Hydro's discretion, residential rates may be applied to apartment buildings with 6 or less units by simple application of the residential rate to by blocking the residential rate by the number of units.

Where the residential dwelling comprises the entire electrical load of a farm, it is defined as a residential service. Where the residential dwelling does not comprise the entire electrical load of the farm:

The service will be defined as a General Service if the occupant derives his/her principal livelihood from the working of the farm;

The service will be defined as a Residential Service if the occupant does not derive his/her principal livelihood from the working of the farm;

Where the residential farm dwelling is supplied by one separately metered service and the electrical loads in other buildings are supplied by a different separately metered service, then the former is defined as a Residential Service and the latter is defined as a General Service.

General Service Less Than 50 kW

This classification refers to a non-residential customer with an average peak demand below 50 kW over the past twelve months. For a new customer without prior billing history, the peak demand will be based on the customer's proposed capacity.

General Service 50 to 999 kW

This classification refers to a non-residential customer with an average peak demand equal to or greater than 50 kW and less than 1,000 kW over the past twelve months. For a new customer without prior billing history, the peak demand will be based on the customer's proposed capacity.

General Service 1,000 to 4,999 kW

This classification refers to a non-residential customer with an average peak demand equal to or greater than 1,000 kW and less than 5,000 kW, regardless of when the demand occurs, averaged over twelve months. For a new customer without prior billing history, the peak demand will be based on the customer's proposed capacity.

Large Use

This classification refers to a non-residential customer with an average peak demand equal to or greater than 5,000 kW, regardless of when the demand occurs, averaged over twelve months. For a new customer without prior billing history, the peak demand will be based on the customers proposed capacity.

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Milton Hydro Distribution Inc. TARIFF OF RATES AND CHARGES Effective May 1, 2006

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

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Unmetered Scattered Load

This classification refers to the supply of electricity to unmetered loads less than 50 kW including traffic signals and pedestrian X-walks signals/beacons, bus shelters, telephone booths, signs, Cable TV amplifiers and decorative lighting and tree lighting connected to Milton Hydro's distribution system, and similar small unmetered loads.

Sentinel Lights

This classification refers to all services supported to supply sentinel lighting equipment.

Street Lighting

This classification refers to all services supplied to street lighting equipment owned by or operated for a municipality or the Province of Ontario.

MONTHLY RATES AND CHARGES

Residential

| Service Charge Distribution Volumetric Rate Regulatory Asset Recovery Retail Transmission Rate – Network Service Rate Retail Transmission Rate – Line and Transformation Connection Service Rate Wholesale Market Service Rate Rural Rate Protection Charge Regulated Price Plan – Administration Charge | \$ \$/kWh \$/kWh \$/kWh \$/kWh \$/kWh | 14.07 0.0133 (0.0002) 0.0056 0.0045 0.0052 0.0010 0.25 |
|---|--|---|
| Regulated Price Plan – Administration Charge | \$ | 0.25 |
| General Service Less Than 50 kW | | |

| Service Charge | \$ | 15.06 |
|--|--------|----------|
| Distribution Volumetric Rate | \$/kWh | 0.0159 |
| Regulatory Asset Recovery | \$/kWh | (0.0003) |
| Retail Transmission Rate – Network Service Rate | \$/kWh | 0.0051 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kWh | 0.0040 |
| Wholesale Market Service Rate | \$/kWh | 0.0052 |
| Rural Rate Protection Charge | \$/kWh | 0.0010 |
| Regulated Price Plan – Administration Charge | \$ | 0.25 |

General Service 50 to 999 kW

| Service Charge | \$ | 71.59 |
|--|--------|----------|
| Distribution Volumetric Rate | \$/kW | 2.4893 |
| Regulatory Asset Recovery | \$/kW | (0.3619) |
| Retail Transmission Rate – Network Service Rate | \$/kW | 2.3099 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kW | 1.8472 |
| Wholesale Market Service Rate | \$/kWh | 0.0052 |
| Rural Rate Protection Charge | \$/kWh | 0.0010 |
| Regulated Price Plan – Administration Charge (if applicable) | \$ | 0.25 |
| Minimum Distribution Charge - per kW of maximum billing demand in the previous 11 months | \$/kW | 0.60 |
| 5 5 (11) | \$/kW | 0.60 |

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Milton Hydro Distribution Inc. TARIFF OF RATES AND CHARGES Effective May 1, 2006

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

General Service 1,000 to 4,999 kW

| Service Charge Distribution Volumetric Rate Regulatory Asset Recovery Retail Transmission Rate – Network Service Rate Retail Transmission Rate – Line and Transformation Connection Service Rate Wholesale Market Service Rate Rural Rate Protection Charge Regulated Price Plan – Administration Charge (if applicable) Minimum Distribution Charge - per kW of maximum billing demand in the previous 11 months | \$ \$/kW \$/kW \$/kW \$/kWh \$/kWh \$ \$/kW | 932.03 3.0558 (0.4950) 2.2719 1.8169 0.0052 0.0010 0.25 0.60 |
|---|--|--|
| Large Use | | |
| Service Charge Distribution Volumetric Rate Regulatory Asset Recovery Retail Transmission Rate – Network Service Rate – Interval Metered Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered Wholesale Market Service Rate Rural Rate Protection Charge Regulated Price Plan – Administration Charge (if applicable) Minimum Distribution Charge - per kW of maximum billing demand in the previous 11 months | \$ \$/kW \$/kW \$/kW \$/kWh \$/kWh \$ \$/kW | 4,150.70 2.6087 (0.4650) 2.4602 2.0320 0.0052 0.0010 0.25 0.60 |
| Unmetered Scattered Load | | |
| Service Charge (per connection) Distribution Volumetric Rate Regulatory Asset Recovery Retail Transmission Rate – Network Service Rate Retail Transmission Rate – Line and Transformation Connection Service Rate Wholesale Market Service Rate Rural Rate Protection Charge Regulated Price Plan – Administration Charge (if applicable) | \$ \$/kWh \$/kWh \$/kWh \$/kWh \$/kWh \$/kWh | 7.42 0.0159 (0.0003) 0.0051 0.0040 0.0052 0.0010 0.25 |
| Sentinel Lighting | | |
| Service Charge (per connection) Distribution Volumetric Rate Regulatory Asset Recovery Retail Transmission Rate – Network Service Rate Retail Transmission Rate – Line and Transformation Connection Service Rate Wholesale Market Service Rate Rural Rate Protection Charge Regulated Price Plan – Administration Charge (if applicable) | \$ \$/kW \$/kW \$/kW \$/kWh \$/kWh \$/kWh | 0.41 3.1175 2.6585 1.5724 1.2685 0.0052 0.0010 0.25 |
| Street Lighting | | |
| Service Charge (per connection) Distribution Volumetric Rate Regulatory Asset Recovery Retail Transmission Rate – Network Service Rate Retail Transmission Rate – Line and Transformation Connection Service Rate Wholesale Market Service Rate Rural Rate Protection Charge Regulated Price Plan – Administration Charge (if applicable) | \$ \$/kW \$/kW \$/kW \$/kWh \$/kWh \$/kWh | 0.16 0.7795 (0.2969) 1.5645 1.2425 0.0052 0.0010 0.25 |

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Milton Hydro Distribution Inc. TARIFF OF RATES AND CHARGES Effective May 1, 2006

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

Specific Service Charges

Customer Administration Arrears certificate \$ 15.00 Statement of account \$\$\$\$\$\$ 15.00 Easement letter 15.00 Credit reference/credit check (plus credit agency costs) 15.00 Account set up charge/change of occupancy charge (plus credit agency costs if applicable) 30.00 15.00 Returned Cheque (plus bank charges) Special meter reads 30.00 Non-Payment of Account % % Late Payment - per month 1.50 Late Payment - per annum 19.56 Collection of account charge - no disconnection \$ \$ \$ 30.00 Disconnect/Reconnect Charges for non payment of account - At Meter During Regular Hours 65.00 Disconnect/Reconnect Charges for non payment of account - At Meter After Hours 185.00 \$ Optional Interval/TOU Meter charge \$/month 5.50 Specific Charge for Access to the Power Poles - per pole/year \$ 22.35 Clearance Pole Attachment charge \$/pole/year \$ 5.59 Allowances Transformer Allowance for Ownership - per kW of billing demand/month \$ (0.60)Primary Metering Allowance for transformer losses - applied to measured demand and energy % (1.00)LOSS FACTORS Total Loss Factor - Secondary Metered Customer < 5,000 kW 1.0351 Total Loss Factor - Secondary Metered Customer > 5,000 kW 1.0145 Total Loss Factor – Primary Metered Customer < 5,000 kW 1.0248

Total Loss Factor – Primary Metered Customer > 5,000 kW