



EB-2011-0191

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 Orillia Power Distribution Corp. for an order or orders approving or fixing just and reasonable distribution rates and other charges, to be effective May 1, 2012.

BEFORE: Karen Taylor
Presiding Member

Paula Conboy
Member

DECISION AND ORDER

Introduction

Orillia Power Distribution Corp. (“Orillia”), a licensed distributor of electricity, filed an application with the Ontario Energy Board (the “Board”) on October 31, 2011 under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B), seeking approval for changes to the rates that Orillia charges for electricity distribution, to be effective May 1, 2012.

Orillia is one of 77 electricity distributors in Ontario regulated by the Board. The *Report of the Board on 3rd Generation Incentive Regulation for Ontario’s Electricity Distributors* (the “IR Report”), issued on July 14, 2008, establishes a three year plan term for 3rd generation incentive regulation mechanism (“IRM”) (i.e., rebasing plus three years). In

its October 27, 2010 letter regarding the development of a Renewed Regulatory Framework for Electricity (“RRFE”), the Board announced that it was extending the IRM plan until such time as the RRFE policy initiatives have been substantially completed. As part of the plan, Orillia is one of the electricity distributors that will have its rates adjusted for 2012 on the basis of the IRM process, which provides for a mechanistic and formulaic adjustment to distribution rates and charges between cost of service applications.

To streamline the process for the approval of distribution rates and charges for distributors, the Board issued its IR Report, its *Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario’s Electricity Distributors* on September 17, 2008 (the “Supplemental Report”), and its *Addendum to the Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario’s Electricity Distributors* on January 28, 2009 (collectively the “Reports”). Among other things, the Reports contain the relevant guidelines for 2012 rate adjustments for distributors applying for distribution rate adjustments pursuant to the IRM process. On June 22, 2011, the Board issued an update to Chapter 3 of the Board’s *Filing Requirements for Transmission and Distribution Applications* (the “Filing Requirements”), which outlines the application filing requirements for IRM applications based on the policies in the Reports.

Notice of Orillia’s rate application was given through newspaper publication in Orillia’s service area advising interested parties where the rate application could be viewed and advising how they could intervene in the proceeding or comment on the application. No letters of comment were received. The Notice of Application indicated that intervenors would be eligible for cost awards with respect to Orillia’s request for lost revenue adjustment mechanism (“LRAM”) recoveries, proposed changes to the billing determinants for retail transmission network charges for customers billed on a demand basis and Orillia’s request to dispose of balances in account 1562. The Vulnerable Energy Consumers Coalition (“VECC”) applied and was granted intervenor status in this proceeding. The Board granted VECC eligibility for cost awards in regards to Orillia’s request for LRAM recoveries and proposed changes to the billing determinants for retail transmission network charges. Board staff also participated in the proceeding. The Board proceeded by way of a written hearing.

While the Board has considered the entire record in this proceeding, it has made reference only to such evidence as is necessary to provide context to its findings. The following issues are addressed in this Decision and Order:

- Price Cap Index Adjustment;
- Rural or Remote Electricity Rate Protection Charge;
- Shared Tax Savings Adjustments;
- Retail Transmission Service Rates;
- Retail Transmission Service Rates – Change in Billing Determinants;
- Review and Disposition of Group 1 Deferral and Variance Account Balances;
- Disposition of Global Adjustment Sub-Account of Account 1588;
- Review and Disposition of Account 1521: Special Purpose Charge;
- Review and Disposition of Account 1562: Deferred Payments In Lieu of Taxes;
and
- Review and Disposition of Lost Revenue Adjustment Mechanism (“LRAM”).

Price Cap Index Adjustment

As outlined in the Reports, distribution rates under the 3rd Generation IRM are to be adjusted by a price escalator, less a productivity factor (X-factor) of 0.72% and a stretch factor.

On March 13, 2012, the Board announced a price escalator of 2.0% for those distributors under IRM that have a rate year commencing May 1, 2012.

The stretch factors are assigned to distributors based on the results of two benchmarking evaluations to divide the Ontario industry into three efficiency cohorts. . . In its letter to Licensed Electricity Distributors dated December 1, 2011 the Board assigned Orillia to efficiency cohort 2 and a cohort specific stretch factor of 0.4%.

On that basis, the resulting price cap index adjustment is 0.88%. The price cap index adjustment applies to distribution rates (fixed and variable charges) uniformly across customer classes that are not eligible for Rural or Remote Electricity Rate Protection.

The price cap index adjustment will not apply to the following components of delivery rates:

- Rate Riders;
- Rate Adders;
- Low Voltage Service Charges;
- Retail Transmission Service Rates;
- Wholesale Market Service Rate;
- Rural or Remote Rate Protection Charge;
- Standard Supply Service – Administrative Charge;
- Transformation and Primary Metering Allowances;
- Loss Factors;
- Specific Service Charges;
- MicroFIT Service Charges; and
- Retail Service Charges.

Rural or Remote Electricity Rate Protection Charge

On December 21, 2011, the Board issued a Decision with Reasons and Rate Order (EB-2011-0405) establishing the Rural or Remote Electricity Rate Protection (“RRRP”) benefit and charge for 2012. The Board amended the RRRP charge to be collected by the Independent Electricity System Operator from the current \$0.0013 per kWh to \$0.0011 per kWh effective May 1, 2012. The draft Tariff of Rates and Charges flowing from this Decision and Order will reflect the new RRRP charge.

Shared Tax Savings Adjustments

In its Supplemental Report, the Board determined that a 50/50 sharing of the impact of currently known legislated tax changes, as applied to the tax level reflected in the Board-approved base rates for a distributor, is appropriate.

The calculated annual tax reduction over the IRM plan term will be allocated to customer rate classes on the basis of the Board-approved base-year distribution revenue. These amounts will be refunded to customers each year of the plan term, over a 12-month period, through a volumetric rate rider using annualized consumption by customer class underlying the Board-approved base rates.

Orillia’s application originally included a tax sharing credit of \$40,280 to be refunded to ratepayers using variable rate riders in effect for one year. In response to Board staff

interrogatory #3, Orillia provided an updated credit amount of \$32,382 to be refunded to ratepayers.

In its submission, Board staff noted that the values used by Orillia in both of its shared tax savings amount calculations were inconsistent with the Board approved values from Orillia's last cost of service proceeding (EB-2009-0273). Board staff populated the Tax Savings Workform ("TSWF") using the Board approved values from the Revenue Requirement Workform submitted with the draft Rate Order in Orillia's last cost of service proceeding. This resulted in a credit tax savings variance of \$53,450 to be refunded to ratepayers. Board staff submitted that Orillia refund \$53,450 in shared tax savings to ratepayers and requested that Orillia confirm Board staff's calculations in its reply submission.

In its reply submission, Orillia noted that it was able to duplicate Board staff's calculations but that it did not agree that the calculations were correct. Orillia stated that it believed the methodology underpinning the TSWF calculation violates a very basic concept of determining income taxes by starting with net income instead of taxable income. Orillia stated its belief that the TSWF understates the amount of actual income taxes that would be paid on taxable income through the use of an understated tax rate. Orillia asserted that a more realistic effective tax rate is calculated by dividing income taxes by taxable income (i.e. a top down approach) and not by dividing income taxes by net income plus taxable adjustment (i.e. a bottom up approach). Orillia reiterated its request to refund its revised shared tax savings amount (a credit of \$34,600 to ratepayers updated to include capital taxes of \$6,000 in 2010 that were omitted) determined using the top down approach.

The Board approves shared tax savings of \$53,450 to be paid to customers over a one-year period, May 1, 2012 to April 30, 2013. The Board does not concur with the analysis presented by Orillia, as it is inconsistent with the Board's current practice and has not been fully tested in the context of this proceeding.

Retail Transmission Service Rates

Electricity distributors are charged the Ontario Uniform Transmission Rates ("UTRs") at the wholesale level and subsequently pass these charges on to their distribution customers through the Retail Transmission Service Rates ("RTSRs"). Variance accounts are used to capture timing differences and differences in the rate that a

distributor pays for wholesale transmission service compared to the retail rate that the distributor is authorized to charge when billing its customers (i.e. variance Accounts 1584 and 1586).

On June 22, 2011 the Board issued revision 3.0 of the *Guideline G-2008-0001 - Electricity Distribution Retail Transmission Service Rates* (the “RTSR Guideline”). The RTSR Guideline outlines the information that the Board requires electricity distributors to file to adjust their RTSRs for 2012. The RTSR Guideline requires electricity distributors to adjust their RTSRs based on a comparison of historical transmission costs adjusted for the new UTR levels and the revenues generated under existing RTSRs. The objective of resetting the rates is to minimize the prospective balances in Accounts 1584 and 1586. In order to assist electricity distributors in the calculation of the distributors’ specific RTSRs, Board staff provided a filing module.

On December 20, 2011 the Board issued its Rate Order for Hydro One Transmission (EB-2011-0268) which adjusted the UTRs effective January 1, 2012, as shown in the following table:

2012 Uniform Transmission Rates

Network Service Rate	\$3.57 per kW
<u>Connection Service Rates</u>	
Line Connection Service Rate	\$0.80 per kW
Transformation Connection Service Rate	\$1.86 per kW

Board staff did not have any concerns with the data supporting the RTSR Workform proposed by Orillia, with the exception of the proposed change in billing determinants, discussed below. The Board finds that these 2012 UTRs are to be incorporated into the filing module.

Retail Transmission Service Rates – Change in Billing Determinants

In its application, Orillia proposed to expand the use of the 7 AM to 7 PM billing determinant beyond interval metered customers to all customers that charge a demand rate for retail transmission network charges where the demand can be measured between 7 AM to 7 PM, regardless of meter type. Orillia proposed to apply the same RTSRs, as determined by the RTSR filing module, to customers affected by the change in billing determinants. In response to Board staff interrogatory #1, Orillia confirmed that

only the GS 50 kW to 4,999 kW and Street Lighting Classes would be affected by the change.

In its submission, Board staff stated that the Board may wish to consider that Orillia's request is beyond the scope of an IRM application. Board staff noted that the proposal would be better suited for review as part of Orillia's next cost of service application. Board staff asserted that if the Board approved Orillia's application, as filed, a non-RPP customer in the GS 50 kW to 4,999 kW class would be subject to three separate billing determinants. Given the minimal forecasted difference in billing determinants for the class, Board staff saw no reason to add such complexity for the sole reason of billing customers on a slightly more accurate cost driver. Board staff also submitted that, in the event the Board accepts that this issue is within the scope of an IRM application, Board staff is not persuaded that Orillia's proposal would result in any material differences at this time.

In its submission, VECC noted that it has concerns with Orillia's proposal to adjust the definition of its billing parameters without also adjusting the proposed rates. VECC stated that if the billing determinants were to change, the RTSRs should change to yield the same dollar amount by customer class. VECC stated that it may be more appropriate for the Board to defer any change to Orillia's billing determinants to its next cost of service-based rate application.

In its reply submission Orillia noted that the customer is better served by fair rate making using the most appropriate cost driver for each component of the bill. Nevertheless, Orillia concurred with Board staff and VECC that this matter would be better suited for review in a cost of service application.

The Board is of the view that an IRM application is not an appropriate venue to consider this issue, given the limited number of intervenors and limited opportunity for discovery. The Board therefore finds that this issue is out of scope for the purposes of this application and notes that Orillia has proposed to address this issue as part of its next cost of service application.

Review and Disposition of Group 1 Deferral and Variance Account Balances

The *Report of the Board on Electricity Distributors' Deferral and Variance Account Review Report Initiative* (the "EDDVAR Report") provides that, during the IRM plan

term, the distributor's Group 1 account balances will be reviewed and disposed if the preset disposition threshold of \$0.001 per kWh (debit or credit) is exceeded. The onus is on the distributor to justify why any account balance in excess of the threshold should not be disposed.

Orillia's 2010 actual year-end total balance for Group 1 Accounts, excluding the Global Adjustment ("GA") sub-account of account 1588, including interest projected to April 30, 2012 is a credit of \$1,261,745. The balance in the GA sub-account of account 1588 is a debit of \$576,746. Orillia provided a threshold credit claim of \$0.00399 per kWh. In calculating the threshold claim, Orillia did not include the balance in the GA sub-account of account 1588. Orillia proposed to dispose of Group 1 Account balances, excluding the GA sub-account of account 1588, using variable rate riders over a two-year period to provide a smoothing effect to bill impacts leading up to its next cost of service application. Orillia's proposal for disposing of the GA sub-account balance will be discussed in the section that follows.

In its submission, Board staff noted that the principal amounts to be disposed as of December 31, 2010 reconcile with the amounts reported as part of the *Reporting and Record-keeping Requirements* ("RRR"). Board staff submitted that Orillia's method of performing the threshold test was inconsistent with the EDDVAR Report. Board staff asserted that Orillia should apply the threshold test to all Group 1 balances, regardless of the proposed method of disposition of each account. Board staff noted that the resulting threshold claim for Group 1 Accounts, when including the GA sub-account balance, was \$0.002167 per kWh which is above the disposition threshold. Board staff took no issue with Orillia's proposal to dispose of its Group 1 Account balances at this time. Board staff also took no issue with Orillia's proposed two year recovery period noting that the approximately 6% decrease that would result from a one-year recovery period is a significant change for an IRM year. Orillia took no issue with Board staff's submission.

The Board finds that the EDDVAR disposition threshold test is to be applied to all Group 1 balances, regardless of the proposed method of disposition. The Board notes that the threshold test of \$0.001/kWh has been exceeded when the total of all Group 1 account balances are considered. Subject to the findings set out below, the Board approves the disposition on a final basis of a total credit balance of \$1,261,745, excluding the GA sub-account, representing principal as at December 31, 2010 plus carrying costs to April 30, 2012, over a two year period, May 1, 2012 to April 30, 2014.

The table below identifies the principal and interest amounts approved for disposition for all Group 1 Accounts including the GA sub-account which is discussed in the following section.

Account Name	Account Number	Principal Balance A	Interest Balance B	Total Claim C = A + B
LV Variance Account	1550	-\$2,320	-\$1,821	-\$4,141
RSVA - Wholesale Market Service Charge	1580	-\$1,466,782	-\$36,650	-\$1,499,432
RSVA - Retail Transmission Network Charge	1584	\$91,582	\$2,924	\$94,506
RSVA - Retail Transmission Connection Charge	1586	-\$23,984	\$301	-\$23,682
RSVA - Power (excluding Global Adjustment)	1588	\$160,531	\$10,474	\$171,004
RSVA - Power – Global Adjustment Sub-Account	1588	-	-	\$576,746
Group 1 Total				-\$684,999

For accounting and reporting purposes, the respective balance of each Group 1 account approved for disposition shall be transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595 pursuant to the requirements specified in Article 220, Account Descriptions, of the *Accounting Procedures Handbook for Electricity Distributors*. The date of the journal entry to transfer the approved account balances to the sub-accounts of Account 1595 is the date on which disposition of the balances is effective in rates, which generally is the start of the rate year (e.g. May 1). This entry should be completed on a timely basis to ensure that these adjustments are included in the June 30, 2012 (3rd Quarter) RRR data reported.

Disposition of Global Adjustment Sub-Account of Account 1588

Orillia proposed to dispose of a \$576,746 debit balance in the GA sub-account of account 1588 using a variable rate rider of \$0.0018 per kWh that will be in effect for two years and that it be uniform to all applicable classes. Orillia also proposed to present the GA rate rider as an adjustment to the monthly Provincial Benefit line of the customer's bill and indicated that the rate rider would be clearly identified as a separate item on the customer's bill. Orillia stated that it believed this treatment to be more transparent as customers would be billed for GA costs in the manner in which those costs are incurred.

In its submission, Board staff noted that the prevalent practice amongst distributors is to dispose of the GA sub-account by means of a rate rider applicable to non-RPP

customers that is included in the delivery component of the customer's bill. Orillia noted that the Board had approved the inclusion of the GA rate rider on the electricity line of a customer's bill in Enersource's stand-alone application for the disposition of balances in Group 1 deferral and variance accounts (EB-2009-0405). Board staff stated its view that the Enersource Decision provided recovery of the GA rate rider on the electricity component of non-RPP customers' bills only in cases where the distributor could not readily accommodate a separate rate rider that applies to non-RPP customers in the delivery line of the bill. In its responses to Board staff interrogatories, Orillia confirmed that its billing system is capable of including the GA rate rider on the delivery line of its customers' bills. As such, Board staff stated that there was no compelling reason why the Board should treat Orillia differently from other distributors. Board staff also noted that the use of kWh as the billing determinant for the GA sub-account for all classes is inconsistent with the Board's policy.

In its reply submission, Orillia reiterated its position regarding the proposed method of disposition of balances in the GA sub-account of account 1588 to non-RPP customers. Orillia stated that it believed the proposed treatment was more transparent and results in a more equitable disposition of the GA balance than standard Board practices. Orillia submitted that the bill presentation of the GA rate rider as a separate line item provided complete transparency as to the total cost of electricity commodity for the customer. Orillia noted that this is consistent with the presentation of the electricity commodity charges for RPP customers. Orillia observed that RPP customers see 100% of the cost of electricity commodity on the electricity line of their bill and stated that non-RPP customers should be given the same transparency. Orillia stated its belief that Board staff's submission to include the GA rate rider for non-RPP customers on the delivery line of the customer bill is inconsistent with the Board's rate setting policy for RPP customers that is inclusive of: (1) the forecast market price, (2) the GA amount, and (3) variance balances.

The Board agrees with the submission of Board staff, and finds that the debit balance of \$576,746 in the GA sub-account should be disposed over a two year period (May 1, 2012 to April 30, 2014) by means of a rate rider applicable to non-RPP customers, using standard billing determinants for each class, that is included in the delivery component of the bill. The Board notes that Orillia's billing system is capable of including the GA rate rider in the delivery line of a non-RPP customer's bill. Given the limited opportunity for discovery and testing of this issue in the context of this IRM proceeding, the Board is not persuaded that the arguments put forth by Orillia provide a

sufficient basis to vary from the current practice of the Board which has been implemented by the vast majority of distributors.

Review and Disposition of Account 1521: Special Purpose Charge

The Board authorized Account 1521, Special Purpose Charge Assessment (“SPC”) Variance Account in accordance with Section 8 of *Ontario Regulation 66/10 (Assessments for Ministry of Energy and Infrastructure Conservation and Renewable Energy Program Costs)* (the “SPC Regulation”). Accordingly, any difference between (a) the amount remitted to the Minister of Finance for the distributor’s SPC assessment and (b) the amounts recovered from customers on account of the assessment were to be recorded in “Sub-account 2010 SPC Assessment Variance” of Account 1521.

In accordance with Section 8 of the SPC Regulation, distributors are required to apply no later than April 15, 2012 for an order authorizing the disposition of any residual balance in sub-account 2010 SPC Assessment Variance. The Filing Requirements sets out the Board’s expectation that requests for disposition of this account balance would be heard as part of the proceedings to set rates for the 2012 year.

Orillia requested the disposition of a residual debit balance of \$596 as at December 31, 2010, plus collections in 2011 and carrying costs until April 30, 2012. Orillia proposed to recover the balance through the Deferral and Variance Account rate rider calculated to dispose of Group 1 account balances.

Board staff submitted that despite the usual practice, the Board should authorize the disposition of Account 1521 as of December 31, 2010, plus the amounts recovered from customers in 2011, including interest, because the account balance does not require a prudence review, and electricity distributors are required by regulation to apply for disposition of this account. Board staff submitted that the \$596 debit balance in Account 1521 should be approved for disposition on a final basis. In its reply submission, Orillia agreed with Board staff.

The Board approves the disposition of the debit balance of \$595 in account 1521 on a final basis, representing principal and interest to April 30, 2012, over a two year period, May 1, 2012 to April 30, 2014. The Board approves the recovery of this debit balance through the Deferral and Variance Account rate rider calculated to dispose of the Group

1 account balances, as set out elsewhere in this Decision. The Board directs Orillia to close account 1521 effective May 1, 2012.

For accounting and reporting purposes, the balance of Account 1521 shall be transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595 pursuant to the requirements specified in Article 220, Account Descriptions, of the *Accounting Procedures Handbook for Electricity Distributors*. The date of the journal entry to transfer the approved account balances to the sub-accounts of Account 1595 is the date on which disposition of the balances is effective in rates, which generally is the start of the rate year (e.g. May 1). This entry should be completed on a timely basis to ensure that these adjustments are included in the June 30, 2012 (3rd Quarter) RRR data reported.

Review and Disposition of Account 1562: Deferred Payments in Lieu of Taxes

In 2001, the Board approved a regulatory payments in lieu of taxes proxy approach for rate applications coupled with a true-up mechanism filed under the RRR to account for changes in tax legislation and rules and to true-up between certain proxy amounts used to set rates and the actual amount of taxes paid. The variances resulting from the true-up were tracked in Account 1562 for the period 2001 through April 30, 2006.

On November 28, 2008, pursuant to sections 78, 19 (4) and 21 (5) of the *Ontario Energy Board Act, 1998*, the Board commenced a Combined Proceeding (EB-2008-0381) on its own motion to determine the accuracy of the final account balances with respect to Account 1562 Deferred Payments in Lieu of Taxes (“Deferred PILs”) (for the period October 1, 2001 to April 30, 2006) for certain electricity distributors that filed 2008 and 2009 distribution rate applications.

The Notice in the Combined Proceeding included a statement of the Board’s expectation that the decision resulting from the Combined Proceeding would be used to determine the final account balances with respect to Account 1562 Deferred PILs for the remaining distributors. In its decision and order, the Board stated that, “[e]ach remaining distributor will be expected to apply for final disposition of Account 1562 with its next general rates application (either IRM or cost of service).”¹

Orillia applied to dispose of a credit balance in Account 1562 of \$370,403 including

¹ EB-2008-0381 Account 1562 Deferred PILs Combined Proceeding, Decision and Order, p. 28

carrying charges projected to April 30, 2012. Orillia proposed to refund the balance to customers using the Deferral and Variance account rate ride over a two-year period.

Board staff submitted that Orillia has followed the regulatory guidance and Board's decision in the Combined PILs Proceeding² in determining the amounts recorded in Account 1562 and that those amounts should be disposed and refunded to rate payers. In its reply submission, Orillia agreed with Board staff and requested that the Board authorize the disposition of the credit balance in account 1562.

The Board finds that Orillia has followed the regulatory guidance and the decisions issued by the Board in determining the balance in account 1562 to be disposed. The Board will approve the disposition of account 1562, on a final basis, of a credit of \$370,403, representing principal of \$335,922 and carrying charges to April 30, 2012 of a credit of \$34,481, over a two year period, May 1, 2012 to April 30, 2014.

For accounting and reporting purposes, the balance of Account 1562 shall be transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595 pursuant to the requirements specified in Article 220, Account Descriptions, of the *Accounting Procedures Handbook for Electricity Distributors*. The date of the journal entry to transfer the approved account balances to the sub-accounts of Account 1595 is the date on which disposition of the balances is effective in rates, which generally is the start of the rate year (e.g. May 1). This entry should be completed on a timely basis to ensure that these adjustments are included in the June 30, 2012 (3rd Quarter) RRR data reported.

Review and Disposition of Lost Revenue Adjustment Mechanism (“LRAM”)

The Board's *Guidelines for Electricity Distributor Conservation and Demand Management* (the “CDM Guidelines”) issued on March 28, 2008 outline the information that is required when filing an application for LRAM or SSM.

Orillia requested the recovery of an LRAM claim of \$52,650. In response to interrogatories from Board staff and intervenors, Orillia updated its LRAM claim to \$52,735 to reflect the Ontario Power Authority's (“OPA”) 2010 final results. Orillia's

² Decisions in Combined Proceeding, EB-2008-0381 – August 12, 2011; June 24, 2011; December 23, 2010; December 18, 2009. Hydro One Brampton, EB-2011-0174, December 22, 2011. Whitby Hydro, EB-2011-0206, December 22, 2011. Staff Discussion Paper, August 20, 2008.

LRAM claim consists of the effect of 2010 programs in 2010 and the persisting effects of 2005 - 2009 programs in 2010. Orillia proposed to recover the LRAM claim over a one-year period. In response to interrogatories, Orillia noted that its Board approved load forecast of 316 GWh does not include savings for CDM programs for the period 2006 to 2010. Orillia noted that its original load forecast in its 2010 cost of service application was 311 GWh but that the load forecast was revised during the settlement process to remove CDM savings.

In its submission, Board staff noted that the fact that a load forecast was adjusted during settlement discussions does not necessarily mean that no CDM savings are imputed in the final forecast approved by the Board. Board staff submitted that it does not support recovery of the 2010 lost revenues from 2010 CDM programs or the 2006-2009 CDM programs in 2010 as these amounts should have been built in to Orillia's last load forecast. As this makes up the total of the claim, Board staff was of the view that the Board should deny 100% of Orillia's LRAM claim. In its submission, VECC took the same position as Board staff.

In its reply submission, Orillia stated that its efforts to reach a settlement with intervenors in its 2010 cost of service application were made at the time in the spirit of cooperation. Orillia noted that the negotiation inadvertently did not take into account the negative implication with regard to foregone future LRAM claims. Orillia appealed to the Board to allow Orillia to continue to recover lost revenues not included in its 2010 Board-approved load forecast until its next cost of service application for rates effective May 1, 2014.

The Board will not approve the applied-for LRAM and is of the view that the LRAM application is inconsistent with the 2008 CDM Guidelines, as the effect of 2010 programs in 2010 and persistence from 2006 to 2009 programs in 2010 should have been included in the 2010 load forecast. Absent specific language otherwise in the Board's decision EB-2009-0273 and approved settlement agreement, there is no reasonable basis upon which to diverge from the 2008 CDM Guideline.

Rate Model

With this Decision, the Board is providing Orillia with a rate model (spreadsheet) and applicable supporting models and a draft Tariff of Rates and Charges (Appendix A) that reflects the elements of this Decision. The Board also reviewed the entries in the rate

model to ensure that they were in accordance with the 2011 Board approved Tariff of Rates and Charges and the rate model was adjusted, where applicable, to correct any discrepancies.

THE BOARD ORDERS THAT:

1. Orillia's new distribution rates shall be effective May 1, 2012.
2. Orillia shall review the draft Tariff of Rates and Charges set out in Appendix A. Orillia shall file with the Board a written confirmation assessing the completeness and accuracy of the draft Tariff of Rates and Charges, or provide a detailed explanation of any inaccuracies or missing information within **7 days** of the date of issuance of this Decision and Order.
3. If the Board does not receive a submission from Orillia to the effect that inaccuracies were found or information was missing pursuant to item 2 of this Decision and Order, the draft Tariff of Rates and Charges set out in Appendix A of this Decision and Order will become final, except for the stand by rates which remain interim, effective May 1, 2012, and will apply to electricity consumed or estimated to have been consumed on and after May 1, 2012. Orillia shall notify its customers of the rate changes no later than with the first bill reflecting the new rates.
4. If the Board receives a submission from Orillia to the effect that inaccuracies were found or information was missing pursuant to item 2 of this Decision and Order, the Board will consider the submission of Orillia and will issue a final Tariff of Rates and Charges.

Cost Awards

The Board will issue a separate decision on cost awards once the following steps are completed:

1. VECC shall submit their cost claims no later than **7 days** from the date of issuance of the final Rate Order.
2. Orillia shall file with the Board and forward to VECC any objections to the claimed costs within **21 days** from the date of issuance of the final Rate Order.

3. VECC shall file with the Board and forward to Orillia any responses to any objections for cost claims within **28 days** from the date of issuance of the final Rate Order.
4. Orillia shall pay the Board's costs incidental to this proceeding upon receipt of the Board's invoice.

All filings to the Board must quote file number **EB-2011-0191**, be made through the Board's web portal at, www.errr.ontarioenergyboard.ca and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at www.ontarioenergyboard.ca. If the web portal is not available parties may email their document to BoardSec@ontarioenergyboard.ca. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 2 paper copies.

DATED at Toronto, April 19, 2012

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

Appendix A
To Decision and Order
Draft Tariff of Rates and Charges
Board File No: EB-2011-0191
DATED: April 19, 2012

Orillia Power Distribution Corporation

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2012

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

EB-2011-0191

RESIDENTIAL SERVICE CLASSIFICATION

This classification applies to an account taking electricity at 750 volts or less where the electricity is used exclusively in a separate metered living accommodation. Customers shall be residing in single-dwelling units that consist of a detached house or one unit of a semi-detached, duplex, triplex or quadruplex house, with a residential zoning. Separately metered dwellings within a town house complex or apartment building also qualify as residential customers. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order 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 or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	\$	13.61
Distribution Volumetric Rate	\$/kWh	0.0163
Low Voltage Service Rate	\$/kWh	0.0006
Rate Rider for Tax Change – Effective Until April 30, 2013	\$/kWh	(0.0002)
Rate Rider for Deferral and Variance Account Disposition (2012) – Effective Until April 30, 2014	\$/kWh	(0.0028)
Rate Rider for Global Adjustment Sub-account (2012) – Effective Until April 30, 2014		
Applicable only for Non-RPP Customers	\$/kWh	0.0018
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0045
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0036

MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Orillia Power Distribution Corporation

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2012

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

EB-2011-0191

GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION

This classification refers to a non residential account taking electricity at 750 volts or less whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order 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 or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	\$	35.69
Distribution Volumetric Rate	\$/kWh	0.0158
Low Voltage Service Rate	\$/kWh	0.0006
Rate Rider for Tax Change – Effective Until April 30, 2013	\$/kWh	(0.0002)
Rate Rider for Deferral and Variance Account Disposition (2012) – Effective Until April 30, 2014	\$/kWh	(0.0027)
Rate Rider for Global Adjustment Sub-account (2012) – Effective Until April 30, 2014		
Applicable only for Non-RPP Customers	\$/kWh	0.0018
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0038
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0033

MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Orillia Power Distribution Corporation

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2012

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EB-2011-0191

GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION

This classification applies to a non residential account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 5,000 kW. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order 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 or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

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MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	\$	324.82
Distribution Volumetric Rate	\$/kW	3.4164
Low Voltage Service Rate	\$/kW	0.2230
Rate Rider for Tax Change – Effective Until April 30, 2013	\$/kW	(0.0359)
Rate Rider for Deferral and Variance Account Disposition (2012) – Effective Until April 30, 2014	\$/kW	(0.8892)
Rate Rider for Global Adjustment Sub-account (2012) – Effective Until April 30, 2014 Applicable only for Non-RPP Customers	\$/kW	0.6877
Retail Transmission Rate – Network Service Rate	\$/kW	1.6758
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3363

MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Orillia Power Distribution Corporation

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2012

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STANDBY POWER SERVICE CLASSIFICATION

This classification applies to an account with load displacement facilities that contracts with the distributor to provide emergency standby power when its load displacement facilities are not in operation. The level of billing demand will be agreed to by the distributor and the customer, based on detailed manufacturer information/documentation such as name-plate rating of the load displacement facility. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order 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 or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

MONTHLY RATES AND CHARGES – Delivery Component

Distribution Volumetric Rate - \$/kW of contracted amount	\$/kW	1.0217
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Orillia Power Distribution Corporation

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2012

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UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION

This classification applies to an account taking electricity at 750 volts or less whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The level of the consumption will be agreed to by the distributor and the customer, based on detailed manufacturer information/documentation with regard to electrical consumption of the unmetered load or periodic monitoring of actual consumption. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order 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 or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge (per connection)	\$	10.01
Distribution Volumetric Rate	\$/kWh	0.0091
Low Voltage Service Rate	\$/kWh	0.0006
Rate Rider for Tax Change – Effective Until April 30, 2013	\$/kWh	(0.0002)
Rate Rider for Deferral and Variance Account Disposition (2012) – Effective Until April 30, 2014	\$/kWh	(0.0028)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0038
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0033

MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Orillia Power Distribution Corporation

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2012

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EB-2011-0191

SENTINEL LIGHTING SERVICE CLASSIFICATION

This classification refers to accounts that are unmetered lighting load supplied to a sentinel light. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order 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 or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge (per connection)	\$	3.70
Distribution Volumetric Rate	\$/kW	9.6774
Low Voltage Service Rate	\$/kW	0.1698
Rate Rider for Tax Change – Effective Until April 30, 2013	\$/kW	(0.1410)
Rate Rider for Deferral and Variance Account Disposition (2012) – Effective Until April 30, 2014	\$/kW	(1.2112)
Rate Rider for Global Adjustment Sub-account (2012) – Effective Until April 30, 2014		
Applicable only for Non-RPP Customers	\$/kW	0.6559
Retail Transmission Rate – Network Service Rate	\$/kW	1.2408
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.0173

MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Orillia Power Distribution Corporation

TARIFF OF RATES AND CHARGES

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STREET LIGHTING SERVICE CLASSIFICATION

This classification applies to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of Transportation and private roadway lighting, controlled by photo cells. The consumption for these customers will be based on the calculated connected load times the required lighting times established in the approved OEB street lighting load shape template. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order 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 or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

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MONTHLY RATES AND CHARGES – Delivery Component

Service Charge (per connection)	\$	4.35
Distribution Volumetric Rate	\$/kW	14.4627
Low Voltage Service Rate	\$/kW	0.1663
Rate Rider for Tax Change – Effective Until April 30, 2013	\$/kW	(0.2959)
Rate Rider for Deferral and Variance Account Disposition (2012) – Effective Until April 30, 2014	\$/kW	(1.3772)
Rate Rider for Global Adjustment Sub-account (2012) – Effective Until April 30, 2014		
Applicable only for Non-RPP Customers	\$/kW	0.6528
Retail Transmission Rate – Network Service Rate	\$/kW	1.2345
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	0.9963

MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Orillia Power Distribution Corporation
TARIFF OF RATES AND CHARGES
Effective and Implementation Date May 1, 2012

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EB-2011-0191

microFIT GENERATOR SERVICE CLASSIFICATION

This classification applies to an electricity generation facility contracted under the Ontario Power Authority's microFIT program and connected to the distributor's distribution system. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order 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 or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

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MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	\$	5.25
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Orillia Power Distribution Corporation

TARIFF OF RATES AND CHARGES

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ALLOWANCES

Transformer Allowance for Ownership - per kW of billing demand/month	\$/kW	(0.60)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)

SPECIFIC SERVICE CHARGES

APPLICATION

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

No 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 or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

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Customer Administration

Arrears certificate	\$	15.00
Statement of account	\$	15.00
Easement letter	\$	15.00
Income tax letter	\$	15.00
Account history	\$	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
Returned cheque (plus bank charges)	\$	15.00
Legal letter	\$	15.00
Special meter reads	\$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	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
Collection of account charge – no disconnection – after regular hours	\$	165.00
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 regular hours	\$	185.00
Disconnect/Reconnect charges for non payment of account – at pole during regular hours	\$	185.00
Disconnect/Reconnect charges for non payment of account – at pole after regular hours	\$	415.00
Install/Remove load control device - during regular hours	\$	65.00
Install/Remove load control device – after regular hours	\$	185.00
Temporary service install & remove – overhead – no transformer	\$	500.00
Temporary service install & remove – underground – no transformer	\$	300.00
Temporary service install & remove – overhead – with transformer	\$	1000.00
Specific charge for access to the Power Poles – per pole/year	\$	22.35

Orillia Power Distribution Corporation

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RETAIL SERVICE CHARGES (if applicable)

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order 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 or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

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Retail Service Charges refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity

One-time charge, per retailer, to establish the service agreement between the distributor and the retailer	\$	100.00
Monthly Fixed Charge, per retailer	\$	20.00
Monthly Variable Charge, per customer, per retailer	\$/cust.	0.50
Distributor-consolidated billing monthly charge, per customer, per retailer	\$/cust.	0.30
Retailer-consolidated billing monthly credit, per customer, per retailer	\$/cust.	(0.30)
Service Transaction Requests (STR)		
Request fee, per request, applied to the requesting party	\$	0.25
Processing fee, per request, applied to the requesting party	\$	0.50
Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party		
Up to twice a year		no charge
More than twice a year, per request (plus incremental delivery costs)	\$	2.00

LOSS FACTORS

If the distributor is not capable of prorating changed loss factors jointly with distribution rates, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0561
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0455