



Ontario Energy Board
Commission de l'énergie de l'Ontario

DECISION AND RATE ORDER

EB-2017-0077

**TORONTO HYDRO-ELECTRIC SYSTEM
LIMITED**

**Application for rates and other charges to be effective January 1,
2018**

By Delegation, Before: Theodore Antonopoulos

[DATE]

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1 INTRODUCTION AND SUMMARY

This is the Decision and Rate Order for Toronto Hydro-Electric System Limited's Custom IR – Year 4 update application for 2018 rates.

Toronto Hydro-Electric System Limited (Toronto Hydro) serves approximately 761,920 customers in the City of Toronto. The company is seeking the Ontario Energy Board's approval for the rates it charges to distribute electricity to its customers, as is required of rate-regulated distributors in Ontario.

Distributors may choose one of three rate-setting methods: Price Cap incentive rate-setting (Price Cap IR), Custom IR or Annual IR. In respect of Toronto Hydro, the OEB approved a five year Custom IR framework on December 29, 2015 (the 2015 COS Decision) that covers the years 2015 to 2019.¹ For Toronto Hydro's framework, rates were approved through a cost of service (COS or rebasing) application for the first year and are adjusted mechanistically through a customized price cap adjustment for each of the ensuing four (adjustment) years. In each of the adjustment years, Toronto Hydro is to file an application to implement the OEB's approval of the framework as set out in the initial decision along with certain other adjustments that include pass-through costs (i.e. costs for which Toronto Hydro does not charge a mark-up) such as those that are incurred by Toronto Hydro for settling with the Independent Electricity System Operator (IESO) on behalf of its customers. These costs are tracked in deferral or variance accounts.

The key components of Toronto Hydro's Custom IR framework are listed below:

- A Custom Price Cap Index formula based on the OEB's methodology and updated annually for the inflation factor
- A stretch factor of 0.6% to remain constant over the term of the plan
- A capital factor pre-approved for each year of the plan to account for incremental capital spending (including an offset for incremental revenues recovered by way of the Price Cap Index formula to base rates and a growth factor)
- A symmetrical earning sharing mechanism to split earnings differences (in excess of 100 basis points above or below the deemed ROE) with ratepayers on a 50:50 basis based on the difference between the non-capital related revenue requirement embedded in rates and the actual non-capital related revenue requirement; to be reviewed and disposed, if applicable, at the end of the Custom IR term.

¹ EB-2014-0116, Decision and Order, December 29, 2015 (the 2015 COS Decision)

- A capital-related revenue requirement variance account (CRRRVA) to be assessed on a cumulative basis at the end of the Custom IR term.

Toronto Hydro filed this current application on August 23, 2017, to seek approval to implement the pre-approved formula which will set distribution rates to be effective January 1, 2018.

Toronto Hydro applied for a base rate increase of 5.42% in accordance with the approved Custom IR framework, updated with the OEB approved 2018 parameters for inflation and incorporating the capital factor (including accounting for growth). The 5.42% price cap adjustment applies to distribution rates (fixed and variable charges) uniformly across all customer classes with the exception of the microFIT rate class.

Toronto Hydro also applied to change the composition of its distribution service rates. Residential distribution service rates currently include a fixed monthly charge and a variable usage charge. In 2015, the OEB issued a policy to transition these rates to a fully fixed structure over a four-year period beginning in 2016.² Accordingly, the fixed monthly charge for 2018 has once again been adjusted upward in this Decision by more than the mechanistic adjustment alone. The variable usage rate is commensurately lower. This policy change does not affect the total revenue distributors collect from residential customers.

This Decision on Toronto Hydro's Custom IR update application will result in a monthly increase of \$0.82 for a residential customer consuming 750 kWh which represents an approximate 0.67% increase on total bill, effective January 1, 2018.

² Board Policy – “A New Distribution Rate Design for Residential Electricity Customers”, EB-2012-0410, April 2, 2015

2 THE PROCESS

The OEB follows a streamlined process for Custom IR update applications. An application of this nature may be decided by either a panel of Board Members or it may be delegated to OEB staff, depending on its level of complexity.

After an initial review of the application, the OEB determined that the application is largely mechanistic in nature with respect to the adjustments contemplated. Therefore, pursuant to section 6 of the *Ontario Energy Board Act, 1998* (the Act) the OEB delegated to a member of OEB staff, its power under section 78 of the Act to determine this application. Pursuant to section 6(4) of the Act, the delegated authority determined that the review will proceed without holding a hearing.

Under this type of process, the application is reviewed by OEB staff to verify whether the requested adjustments are consistent with the approved Custom IR application. This includes but is not limited to updates or adjustments defined in the 2015 COS Decision.

On August 23, 2017, Toronto Hydro submitted its Custom IR update application supported by written evidence and a completed rate model. Questions were asked of, and answers were provided by, Toronto Hydro through emails and phone calls with the OEB. Based on this information, a decision was drafted and provided to Toronto Hydro on December 12, 2017. Toronto Hydro was given the opportunity to provide its comments on the draft for consideration prior to the OEB issuing this Decision.

3 ORGANIZATION OF THE DECISION

In this Decision, the OEB addresses the following issues, and provides reasons for approving or denying Toronto Hydro's proposals relating to each of them:

- Custom Price Cap Adjustment
- Earnings Sharing Mechanism
- Retail Transmission Service Rates
- Group 1 Deferral and Variance Accounts
- Lost Revenue Adjustment Mechanism Variance Account
- Residential Rate Design

In the final section, the OEB addresses the steps to implement the final rates that flow from this Decision.

4 CUSTOM PRICE CAP ADJUSTMENT

The custom price cap adjustment follows an OEB-approved formula that includes annually updated components for inflation and a capital factor. The formula also includes a growth factor and the OEB's expectations of efficiency and productivity gains.³ The formula was refined by Toronto Hydro in its update to the draft rate order.⁴ This was subsequently accepted by the OEB in the Decision and Rate Order.⁵ The custom price cap index (CPCI) formula is $I - X + (C_n - Scap \times I) - g$, where:

- I is an adjustment for inflation based on the OEB's methodology and updated annually
- X is the sum of the productivity and stretch factors based on the OEB's methodology with one exception; the stretch factor is set at 0.6% for the term of the plan and not updated annually
- C_n is the capital factor value updated annually
- Scap is the capex scale updated annually
- g is the growth factor value set at 0.3% for the term of the plan

The capital factor reconciles Toronto Hydro's approved capital investments within a price cap index, and is determined for a given year by calculating the incremental difference in forecasted capital-related revenue requirement between the given year and the prior year.

The Scap x I is the mechanism that offsets the incremental funding for capital that would have been provided under the standard price cap index adjustment to base rates. It is determined by the proportion of forecasted capital related revenue requirement to forecasted total revenue requirement.

The OEB has set the inflation factor for 2018 rates at 1.2% based on the established formula.⁶

The factors X, C_n, Scap and g were calculated for the period 2015-2019 in Toronto Hydro's draft rate order⁷ and approved by the OEB in Toronto Hydro's Decision and Rate Order⁸ in the original Custom IR application.

All factors are shown in the table below for all four years of the custom incentive rate-

³ EB-2014-0116, Decision and Order, December 29, 2015 (Page 14)

⁴ EB-2014-0116, Update to the Draft Rate Order, February 29, 2016 (Page 5)

⁵ EB-2014-0116, Decision and Rate Order, March 1, 2016 (Page 2)

⁶ Ontario Energy Board 2018 Electricity Distribution Rate Applications webpage - Updates November 23, 2017

⁷ EB-2014-0116, Update to the Draft Rate Order, February 29, 2016 (Page 6)

⁸ EB-2014-0116, Decision and Rate Order, March 1, 2016 (Page 2)

setting term following the 2015 rebasing year, except as noted below.

Table 1 – CPCI Factors and Values

	2016	2017	2018	2019
I	2.1	2.1*	2.1*	2.1*
X – Productivity	(0.0)	(0.0)	(0.0)	(0.0)
X – Stretch	(0.6)	(0.6)	(0.6)	(0.6)
C _n	4.07	7.60	5.99	4.43
S _{cap}	68.9	70.8	72.2	73.1
G	(0.3)	(0.3)	(0.3)	(0.3)
CPCI	3.83	7.32*	5.67*	4.10*

*Pursuant to the 2015 COS Decision, the only factor in the table above that is subject to change during the five year term (i.e. was not decided in the original decision) is the annual inflation factor.

Note: The numbers in **Table 1** are all percentages.

As part of the Custom IR framework, OEB also approved a Capital Related Revenue Requirement Variance Account to track the variance between the cumulative 2015 to 2019 capital related revenue requirement included in rates and the actual capital in-service additions related revenue requirement.⁹ This is to allow Toronto Hydro the flexibility to optimize the implementation of its capital investment strategy, which may involve shifting the timing of project spending within the Custom IR period while ensuring that customers are kept whole related to Toronto Hydro's actual capital spending versus forecasted.

In the 2015 COS Decision, the OEB approved an earning sharing mechanism (ESM) that will track the variance between the non-capital related revenue requirement (the sum of OM&A and revenue offsets) embedded in rates and the actual non-capital related revenue requirement.¹⁰ The ESM is symmetrical and incorporates a 100 basis point dead band. Earnings in excess of 100 basis points are to be split on a 50:50 basis with ratepayers.

⁹ EB-2014-0116, Decision and Rate Order, March 1, 2016 (Appendix E Page 11)

¹⁰ EB-2014-0116, Decision and Order, December 29, 2015 (Page 49)

Findings

The resulting net price cap adjustment for Toronto Hydro is 5.42% (i.e. $1.2\% - (0\% + 0.60\%) + (5.99\% - 72.2\% \times 1.2\%) - 0.3\%$). This adjustment represents the increase for inflation in accordance with the OEB's formula described above as well as approximately \$423 million in capital spending for the 2018 calendar year that was previously approved by the OEB, representing a 10% reduction in the amounts originally proposed by Toronto Hydro.

The 5.42% adjustment applies to distribution rates (fixed and variable charges) uniformly across all customer classes.¹¹

The Capital Related Revenue Requirement Variance Account was not addressed in this application and the OEB will review the Variance Account at the end of the Custom IR period.

The status of the ESM variance account was explored by OEB staff. The approved non-capital related revenue requirement for 2016 is \$205.7M.¹² In this current Custom IR – Year 4 update, the company reported an actual non-capital related revenue requirement of \$196.1M for 2016 and a regulated deemed equity of \$1,420.1M.¹³ The difference between the non-capital related revenue requirement and the actual non-capital related revenue requirement is \$9.6M or 0.68% of equity. Toronto Hydro stated that this is below the threshold of 100 basis points and therefore no amounts need to be recorded for future earnings sharing for the 2016 fiscal year. The ESM variance account balance is to be reviewed for disposition at the end of the current Custom IR term.

The OEB encourages Toronto Hydro to review the methodology for calculating the earnings sharing with OEB staff in advance of the filing of the next Custom IR or rebasing application at which time the variance account will be reviewed for disposition.

¹¹ This does not apply to the following rates and charges: rate riders, rate adders, low voltage service charges, retail transmission service rates, wholesale market service rate, rural or remote electricity rate protection charge, standard supply service – administrative charge, transformation and primary metering allowances, loss factors, specific service charges, microFIT charge, and retail service charges.

¹² EB-2014-0116, Update to the Draft Rate Order, February 29, 2016 (Page 6)

¹³ EB-2017-0077, response to questions, November 6, 2017 (1-OEB Staff-1)

5 RETAIL TRANSMISSION SERVICE RATES

Distributors charge retail transmission service rates (RTSRs) to their customers to recover the amounts they pay to a transmitter, a host distributor or both for transmission services. All transmitters charge Uniform Transmission Rates (UTRs) approved by the OEB to distributors connected to the transmission system. Host distributors charge RTSRs to distributors embedded within the host's distribution system.

Toronto Hydro is transmission connected, and is requesting approval to adjust the RTSRs that it charges its customers to reflect the rates that it pays for transmission services included in Table 2.

Table 2: UTRs¹⁴

Current Applicable UTRs (2017)	per kWh
Network Service Rate	\$3.52
<u>Connection Service Rates</u>	
Line Connection Service Rate	\$0.88
Transformation Connection Service Rate	\$2.13

Findings

Toronto Hydro's proposed adjustments to its RTSRs are approved. The RTSRs were adjusted based on the current UTRs.

The differences resulting from the approval of new 2018 UTRs will be captured in Accounts 1584 and 1586 for future disposition.

¹⁴ Decision and Rate Order, EB-2017-0280, November 23, 2017

6 GROUP 1 DEFERRAL AND VARIANCE ACCOUNT BALANCES

In a Custom IR update, the OEB will review a distributor's Group 1 deferral and variance accounts in order to determine whether their total balance should be disposed.¹⁵ OEB policy requires that Group 1 accounts be disposed if they exceed (as a debit or credit) a pre-set disposition threshold of \$0.001 per kWh, unless a distributor justifies why balances should not be disposed.¹⁶ If the balance does not exceed the threshold, a distributor may elect to request disposition.

The 2016 actual year-end total balance for Toronto Hydro's Group 1 accounts including interest projected to December 31, 2017 is a credit of \$90,346,370. This amount represents a total credit claim of \$0.0036 per kWh, which exceeds the disposition threshold. Toronto Hydro proposes the disposition of this credit amount over a one-year period.

Included in the balance of the Group 1 accounts is the Global Adjustment (GA) account credit balance of \$13,226,460. A customer's costs for the commodity portion of its electricity service reflects the sum of two charges: the price of electricity established by the operation of the Independent Electricity System Operator (IESO) administered wholesale market, and the GA.¹⁷

The GA is paid by consumers in several different ways:

- For Regulated Price Plan (RPP) customers, the GA is incorporated into the standard commodity rates, therefore there is no variance account for the GA.
- Customers who participate in the Ontario Industrial Conservation Initiative program are referred to as "Class A" customers. These customers are assessed GA costs through a peak demand factor that is based on the percentage their demand contributes to the top five Ontario system peaks. This factor determines a Class A customer's allocation for a year-long billing period that starts in July

¹⁵ Group 1 accounts track the differences between the costs that a distributor is billed for certain IESO and host distributor services (including the cost of power) and the associated revenues that the distributor receives from its customers for these services. The total net difference between these costs and revenues is disposed to customers through a temporary charge or credit known as a rate rider.

¹⁶ Report of the Board - "Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR)." EB-2008-0046, July 31, 2009

¹⁷ The GA is established monthly, by the IESO, and varies in accordance with market conditions. It is the difference between the market price and the sum of the rates paid to regulated and contracted generators and conservation and demand management (demand response) program costs.

every year. As distributors settle with Class A customers based on the actual GA costs there is no resulting variance.

- “Class B” non-RPP customers pay the GA charge based on the amount of electricity they consume in a month (kWh). Class B non-RPP customers are billed GA based on an IESO published GA price. For Class B non-RPP customers, distributors track any difference between the billed amounts and actual costs in the GA Variance Account for disposal, once audited.

Under the general principle of cost causality, customer groups that cause variances should be responsible for paying (or receiving credits) for their disposal. The movement from one class to another should not prevent identifiable customers from paying down/receiving a debit/credit balance.

Toronto Hydro proposes the disposition of its GA variance account credit balance of \$13,226,460 as at December 31, 2016, including interest to December 31, 2017, in accordance with Table 3.

Table 3 - Refund of GA Variance

Proposed Amounts	Proposed Method for Recovery
\$12,836,762 refunded to customers who were Class B for the entire period from January 2016 to December 2016	per kWh rate rider
\$130,574 refunded to customers formerly in Class B during the period January 2016 to June 2016 who were reclassified to Class A	12 equal installments ¹⁸
\$259,123 refunded to customers formerly in Class A during the period January 2016 to June 2016 who were reclassified to Class B	12 equal installments ¹⁹

The balance of the Group 1 accounts includes \$1,482,653 for the recovery of Capacity Based Recover (CBR) charges for Class B customers related to the IESO's wholesale energy market Demand Response 3 program. Distributors paid CBR charges to the IESO in 2016 and recorded these to a dedicated sub-account. The disposition of this

¹⁸ Toronto Hydro-Electric System Limited 2018 IRM Rate Generator Model, Tab 6. “Class A consumption data” and Tab 6.1a “GA Allocation”

¹⁹ Ibid.

sub-account is impacted by whether or not a distributor had any customers who were part of Class A during the period from January 2016 to December 2016.

Toronto Hydro had Class A customers during the period from January 2016 to December 2016 so it applied to have the balance of this account disposed through a separate kWh rate rider for Class B customers in order to ensure proper allocation between Class A and Class B customers.

As some customers were reclassified between Class A and Class B during the period from January 2016 to December 2016, Toronto Hydro requested recovery of a portion of CBR Class B costs by way of 12 equal installments in accordance with the table below.

Table 4 - Recovery of CBR Variance

Proposed Amounts	Proposed Method for Recovery
\$1,458,776 recovered from customers who were Class B for the entire period from January 2016 to December 2016	per kWh rate rider
\$8,000 recovered from customers formerly in Class B during the period January 2016 to June 2016 who were reclassified to Class A	12 equal installments ²⁰
\$15,887 recovered from customers formerly in Class A during the period January 2016 to June 2016 who were reclassified to Class B	12 equal installments ²¹

The remaining Group 1 accounts being sought for disposition, through the general Deferral and Variance Account rate rider, include the following flow through variance accounts: Low Voltage Charges, Smart Meter Entity Charges, Wholesale Market Service Charges, Retail Transmission Service Charges, and Commodity Power Charges. These Group 1 accounts have a total credit balance of \$78,602,563, which results in a refund to customers.

The balances proposed for disposition reconcile with the amounts reported as part of the OEB's *Electricity Reporting and Record-Keeping Requirements*.²² Toronto Hydro

²⁰ Toronto Hydro-Electric System Limited 2018 IRM Rate Generator Model, Tab 6. "Class A consumption data" and Tab 6.1a "CBR B_Allocation"

²¹ Ibid.

²² Electricity Reporting and Record Keeping Requirements, Version dated May 3, 2016

further notes that its proposal for a one-year disposition period is in accordance with the OEB's policy.²³

Findings

The OEB approves the disposition of a credit balance of \$84,312,319 as of December 31, 2016, including interest projected to December 31, 2017 for Group 1 accounts.

The following table identifies the principal and interest amounts which the OEB approves for disposition.

Table 5 - Group 1 Deferral and Variance Account Balances

Account Name	Account Number	Principal Balance (\$) A	Interest Balance (\$) B	Total Claim (\$) C=A+B
LV Variance Account	1550	312,025	5,861	317,887
Smart Meter Entity Variance Charge	1551	(379,776)	13,241	(366,535)
RSVA - Wholesale Market Service Charge	1580	(26,035,861)	(498,414)	(26,534,275)
Variance WMS - Sub-account CBR Class B	1580	1,535,334	(52,680)	1,482,653
RSVA - Retail Transmission Network Charge	1584	(16,414,401)	(205,715)	(16,620,116)
RSVA - Retail Transmission Connection Charge	1586	(29,949,890)	(446,320)	(30,396,209)
RSVA – Power	1588	(4,904,742)	(98,572)	(5,003,314)
RSVA - Global Adjustment	1589	(13,283,670)	57,211	(13,226,460)
Totals for all Group 1 accounts		(89,120,982)	(1,225,388)	(90,346,370)

The balance of each of the Group 1 accounts approved for disposition shall be transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595. Such transfer shall be pursuant to the requirements specified in Article 220, Account Descriptions, of the *Accounting Procedures Handbook for Electricity*

²³ As outlined in the Report cited at footnote 16 above.

*Distributors.*²⁴ The date of the transfer must be the same as the effective date for the associated rates, which is, generally, the start of the rate year. Toronto Hydro shall ensure these adjustments are included in the reporting period ending March 31, 2018 (Quarter 1).

The OEB approves these balances to be disposed through rate riders, charges, and payments as calculated in the rate generator model. The rate riders, charges, and payments will be in effect over a one-year period from January 1, 2018 to December 31, 2018.²⁵

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²⁴ Accounting Procedures Handbook for Electricity Distributors, effective January 1, 2012

²⁵ Toronto Hydro-Electric System Limited 2018 IRM Rate Generator Model Tab 6.1 GA, Tab 6.1a "GA Allocation", Tab 6.2 "CBR B", Tab 6.2a "CBR B_Allocation" and Tab 7 "Calculation of Def-Var RR"

7 THE LOST REVENUE ADJUSTMENT MECHANISM VARIANCE ACCOUNT BALANCE

As part of the Ministry of Energy's conservation-first policy,²⁶ distributors have an OEB licence requirement to ensure conservation and demand management (CDM) programs are available to their customers. These programs result in reduced total energy consumption. To address the impact of the reduced consumption, the OEB established a Lost Revenue Adjustment Mechanism Variance Account (LRAMVA)²⁷ to capture a distributor's revenue implications resulting from differences between actual load and the last OEB-approved load forecast. These differences are recorded by distributors at the rate class level.

A distributor may apply for the disposition of the balance in the LRAMVA on an annual basis, as part of its IRM application, if the balance is deemed significant by the distributor. A request for the inclusion of lost revenues from demand response programs, as part of the LRAMVA, must be addressed through a COS application.²⁸

Toronto Hydro has applied to dispose its LRAMVA debit balance of \$6,562,519. The balance consists of lost revenues in 2015 and 2016 from CDM programs delivered during the period from 2015 to 2016 and carrying charges. In response to OEB Staff questions, Toronto Hydro revised its LRAMVA balance to remove the impact of certain volumetric rate riders whose amounts are subject to their own independent true-up process as per the CDM guidelines.²⁹ These rate riders are tracked in Account 1595 and should be disposed as part of the Group 1 accounts. Toronto Hydro also updated the Q4 interest rate to reflect the latest OEB prescribed interest rate. The updates resulted in an increase of \$6,838 and a revised LRAMVA balance of \$6,569,357.

The actual conservation savings claimed by Toronto Hydro were determined by the IESO.³⁰ Actual conservation savings were compared against Toronto Hydro's

²⁶ Conservation First: A Renewed Vision for Energy Conservation in Ontario, Ontario Ministry of Energy, 2013

²⁷ Guidelines for Electricity Distributor Conservation and Demand Management, EB-2012-0003, April 26, 2012 and Requirement Guidelines for Electricity Distributors Conservation and Demand Management, EB-2014-0278, December 19, 2014

²⁸ Report of the Ontario Energy Board - Updated Policy for the Lost Revenue Adjustment Mechanism Calculation: Lost Revenues and Peak Demand Savings from Conservation and Demand Management Programs, EB-2016-0182, May 19, 2016

²⁹ Guidelines for Electricity Distributor Conservation and Demand Management, EB-2012-0003, April 26, 2012 (Page 13)

³⁰ The Ontario Power Authority was responsible for CDM program evaluation prior to 2015.

forecasted conservation savings of 55,893,405 kWh included in the load forecast, which was set out in Toronto Hydro's 2015 COS application³¹.

Findings

The OEB finds that Toronto Hydro's LRAMVA balance has been calculated in accordance with the OEB's CDM-related guidelines and updated LRAMVA policy. The OEB approves the disposition of Toronto Hydro's LRAMVA debit balance of \$6,569,357, as set out in the following table.

Table 6 - LRAMVA Balance for Disposition

Account Name	Account Number	Actual CDM Savings (\$) A	Forecasted CDM Savings (\$) B	Carrying Charges (\$) C	Total Claim (\$) D=(A-B)+C
LRAMVA	1568	\$12,084,749	\$5,637,204	\$121,812	\$6,569,357

³¹ EB-2014-0116

8 RESIDENTIAL RATE DESIGN

All residential distribution rates currently include a fixed monthly charge and a variable usage charge. The OEB's residential rate design policy stipulates that distributors will transition residential customers to a fully fixed monthly distribution service charge over a four-year period, beginning in 2016.³² This year's applications are once again required to adjust the distribution rates to increase the fixed charge and decrease the variable charge consistent with the policy.

The OEB expects an applicant to apply two tests to evaluate whether mitigation of bill impacts for customers is required during the transition period. Mitigation usually takes the form of a lengthening of the transition period. The first test is to calculate the change in the monthly fixed charge, and to consider mitigation if it exceeds \$4. The second is to calculate the total bill impact of the proposals in the application for low volume residential customers (defined as those residential RPP customers whose consumption is at the 10th percentile for the class). Mitigation may be required if the bill impact related to the application exceeds 10% for these customers.

Toronto Hydro's implementation of the transition results in an increase to the fixed charge prior to the price cap adjustment of \$3.48. The bill impacts arising from the proposals in this application, including the fixed rate change, are below 10% for low volume residential customers.

Findings

The OEB finds that the increases to the monthly fixed charge and to low consumption residential consumers are below the thresholds set in the OEB policy and approves the increase as proposed by the applicant and calculated in the final rate model.

³² Ontario Energy Board Policy: A New Distribution Rate Design for Residential Electricity Customers, EB-2012-0410, April 2, 2015

9 IMPLEMENTATION AND ORDER

This Decision is accompanied by a rate model, applicable supporting models, and a Tariff of Rates and Charges (Schedule A).

Model entries were reviewed in order to ensure that they are in accordance with Toronto Hydro's original Custom IR decision, and to ensure that the 2017 OEB-approved Tariff of Rates and Charges, as well as the cost, revenue and consumption results from 2016, are as reported by Toronto Hydro to the OEB.

The rate model was adjusted, where applicable, to correct any discrepancies. The rate model incorporates the rates set out in the following Table 7.

Table 7 - Regulatory Charges

Rate	per kWh
Rural or Remote Electricity Rate Protection (RRRP)	\$0.0003
Wholesale Market Service (WMS) billed to Class A and B Customers	\$0.0032
Capacity Based Recovery (CBR) billed to Class B Customers	\$0.0004

Each of these rates is a component of the "Regulatory Charge" on a customer's bill, established annually by the OEB through a separate generic order. The RRRP rate was set by the OEB on June 22, 2017.³³ The WMS and CBR rates were set by the OEB on December 15, 2016.³⁴

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The Tariff of Rates and Charges set out in Schedule A of this Decision and Rate Order is approved effective January 1, 2018 for electricity consumed or estimated to have been consumed on and after such date. Toronto Hydro-Electric System Limited shall notify its customers of the rate changes no later than the delivery of the first bill reflecting the new rates.

³³ Decision and Order, EB-2017-0234, June 22, 2017

³⁴ Decision and Order, EB-2016-0362, December 15, 2016

DATED at Toronto, **[DATE]**

ONTARIO ENERGY BOARD

Kirsten Walli
Board Secretary

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SCHEDULE A

TO DECISION AND RATE ORDER

TARIFF OF RATES AND CHARGES

EB-2017-0077

[DATE]