



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

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## DECISION AND RATE ORDER

EB-2017-0045

## HALTON HILLS HYDRO INC.

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

**BEFORE: Lynne Anderson**  
Presiding Member

**Allison Duff**  
Member

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April 26, 2018

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## 1 INTRODUCTION AND SUMMARY

Through this Decision and Rate Order, the Ontario Energy Board (OEB) is providing its finding on three applications filed by Halton Hills Hydro Inc. (Halton Hills Hydro), as amended during the course of the proceeding. These applications are described below.

Halton Hills Hydro filed applications on September 25, 2017, October 23, 2017 and December 1, 2017. Halton Hills Hydro's applications are for, respectively, rates pursuant to the OEB's Price Cap Incentive Rate-setting (Price Cap IR) framework, the establishment and disposition of a deferral and variance account (DVA) to account for and remedy an error related to depreciation expense, and recovery of costs incurred as a result of a pay equity settlement agreement (Z-factor). The above noted application made with respect to the OEB's Price Cap IR framework was an incentive rate-setting mechanism (IRM) application.

The applications were heard together by the OEB in this proceeding.

Halton Hills Hydro serves about 22,000 mostly residential and commercial electricity customers in the Town of Halton Hills. The company is seeking the OEB's approval for the rates it charges to distribute electricity to its customers, as is required of licenced and rate-regulated distributors in Ontario.

A distributor may choose one of three rate-setting methodologies approved by the OEB. Each of these is explained in the OEB's [Chapter 3 Filing Requirements for Incentive Rate-Setting Applications](#) (Chapter 3 Filing Requirements).

As noted above, Halton Hills Hydro's application is based on a Price Cap IR with a five-year term. The Price Cap IR option involves the setting of rates through a cost of service application in the first year. Mechanistic price cap adjustments, based on inflation and the OEB's assessment of the distributor's efficiency, are then approved through IRM applications in each of the ensuing four (adjustment) years.

As a result of the OEB's findings in this Decision, there will be a monthly bill decrease of \$0.17 for a residential customer consuming 750 kWh, effective May 1, 2018.

Halton Hills Hydro has 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.<sup>1</sup> Accordingly, the fixed monthly charge for 2018 has once again been adjusted upward in this Decision by more than the mechanistic price cap adjustment alone. The variable usage rate is commensurately lower. This policy change does not affect the total revenue that distributors collect from residential customers.

With respect to the IRM application, the OEB grants approval of a price cap adjustment of 1.20% (section 4), Retail Transmission Service Rates (RTSRs) (section 5), and the applicant's proposed disposition of Group 1 deferral and variance accounts (section 6) and proposed residential rate design (section 7).

In section 8, the OEB grants partial approval of Halton Hills Hydro's application for a new deferral account for depreciation.

Finally, section 9 deals with the application for a Z-factor. The OEB does not approve the Z-factor claim.

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<sup>1</sup> OEB Policy – "A New Distribution Rate Design for Residential Electricity Customers." EB-2012-0410, April 2, 2015

## 2 THE PROCESS

The OEB follows a standardized and streamlined process for hearing IRM applications filed under Price Cap IR. In each adjustment year of a Price Cap IR term, the OEB prepares a Rate Generator Model that includes information from the distributor's past proceedings and annual reporting requirements. A distributor will then review and complete the Rate Generator Model and include it with its application. During the course of the proceeding, the Rate Generator Model will also be updated or corrected, as required.

The Rate Generator Model updates base rates, retail transmission service rates and, if applicable, shared tax saving adjustments. It also calculates rate riders for the disposition of deferral and variance account balances.

Halton Hills Hydro filed its applications on September 25, 2017, October 23, 2017 and December 1, 2017 under section 78 of the *Ontario Energy Board Act, 1998* (OEB Act). The Chapter 3 Filing Requirements are applicable to the Price Cap IR and Z-factor applications. The eligibility criteria for the establishment of new deferral and variance accounts are in section 2.9.6 of the OEB's [Filing Requirements For Electricity Distribution Rate Applications - Chapter 2 Cost of Service \(Chapter 2 Filing Requirements\)](#). Notice of Halton Hills Hydro's application was issued on December 12, 2017. School Energy Coalition (SEC) and Vulnerable Energy Consumers Coalition (VECC) responded to the Notice and became parties to the proceeding. OEB staff also participated in the proceeding. Cost awards were allowed only in relation to the applicant's proposal to establish and dispose of a depreciation deferral account and the Z-factor application.

In response to an interrogatory by SEC, Halton Hills Hydro filed the Memorandum of Agreement regarding Pay Equity Maintenance, dated February 2, 2017, between the utility and the Power Worker's Union, CUPE Local 1000 (the Agreement or Pay Equity Memo). In its Decision on Confidentiality Request and Procedural Order No. 4, issued March 9, 2018, the OEB found that sections of the Memorandum of Agreement were not relevant to the proceeding, and the remaining sections were not granted confidential treatment. The OEB directed Halton Hills Hydro to place these sections on the public record by March 12, 2018. Halton Hills Hydro complied with this requirement.

The applications were supported by pre-filed written evidence and a completed Rate Generator Model. During the course of the proceeding, the applicant responded to interrogatories and, where required, updated and clarified the evidence. Final

submissions on the applications were filed by Halton Hills Hydro, OEB staff, SEC, and VECC.

### 3 ORGANIZATION OF THE DECISION

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

- IRM Application
  - Price Cap Adjustment
  - Retail Transmission Service Rates
  - Group 1 Deferral and Variance Accounts
  - Residential Rate Design
- Application for New Deferral Account for Depreciation
- Application for a Z-factor

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

## 4 PRICE CAP ADJUSTMENT

Halton Hills Hydro seeks to increase its rates, effective May 1, 2018, based on a mechanistic rate adjustment using the OEB-approved *inflation minus X-factor* formula applicable to Price Cap IR applications. Halton Hills Hydro included an adjustment of 1.90% in its application, pending the OEB's update to the formula parameters.<sup>2</sup>

The components of the Price Cap IR formula applicable to Halton Hills Hydro are set out in Table 4.1, below. Inserting these components into the formula results in a 1.20% increase to Halton Hills Hydro's rates:  $1.20\% = 1.20\% - (0.00\% + 0.00\%)$ .

**Table 4.1: Price Cap IR Adjustment Formula**

Components		Amount
Inflation Factor <sup>3</sup>		1.20%
X-Factor	Productivity <sup>4</sup>	0.00%
	Stretch (0.00% – 0.60%) <sup>5</sup>	0.00%

The inflation factor of 1.20% applies to all Price Cap IR applications for the 2018 rate year. OEB staff also submitted that an adjustment of 1.20% should be used and be effective May 1, 2018, with agreement by Halton Hills Hydro in its reply submission.

The X-factor is the sum of the productivity factor and the stretch factor. It is a productivity offset that will vary among different groupings of distributors. Subtracting the X-factor from inflation ensures that rates decline in real, constant-dollar terms, providing distributors with a tangible incentive to improve efficiency or else experience

<sup>2</sup> Halton Hills Hydro 2018 IRM Application, September 25, 2017, page 4

<sup>3</sup> Report of the OEB – “Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario’s Electricity Distributors.” EB-2010-0379, December 4, 2013

<sup>4</sup> Ibid.

<sup>5</sup> The stretch factor groupings are based on the Report to the Ontario Energy Board – “Empirical Research in Support of Incentive Rate-Setting: 2016 Benchmarking Update”, prepared by Pacific Economics Group LLC., July 2017

declining net income.

The productivity component of the X-factor is based on industry conditions over a historical study period and applies to all Price Cap IR applications for the 2018 rate year.

The stretch factor component of the X-factor is distributor specific. The OEB has established five stretch factor groupings, each within a range from 0.00% to 0.60%. The stretch factor assigned to any particular distributor is based on the distributor's total cost performance as benchmarked against other distributors in Ontario. The most efficient distributor would be assigned the lowest stretch factor of 0.00%. Conversely, a higher stretch factor would be applied to a less efficient distributor (in accordance with its cost performance relative to expected levels) to reflect the incremental productivity gains that the distributor is expected to achieve. The stretch factor assigned to Halton Hills Hydro is 0.00%.

## Findings

The OEB finds that Halton Hills Hydro's request for a 1.20% Price Cap IR adjustment is in accordance with the annually updated parameters set by the OEB. The adjustment is approved, and Halton Hills Hydro's new rates shall be effective May 1, 2018.

The adjustment applies to distribution rates (fixed and variable charges) uniformly across all customer classes.<sup>6</sup>

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<sup>6</sup> Price Cap IR and Annual IR Index adjustments do 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.

## 5 RETAIL TRANSMISSION SERVICE RATES

Distributors charge 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 host-RTSRs to distributors embedded within the host's distribution system.

Halton Hills Hydro is partially embedded within Hydro One Networks Inc.'s distribution system 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 5.1 and Table 5.2.

OEB staff submitted that the UTRs that were updated effective January 1, 2018 should be incorporated into the 2018 Rate Generator Model. Halton Hills Hydro agreed in its reply submission.

**Table 5.1: UTRs<sup>7</sup>**

<b>Current Approved UTRs (2018)</b>	<b>per kWh</b>
Network Service Rate	\$3.61
<u>Connection Service Rates</u>	
Line Connection Service Rate	\$0.95
Transformation Connection Service Rate	\$2.34

<sup>7</sup> Decision and Order, EB-2017-0359, February 1, 2018

**Table 5.2: Hydro One Networks Inc. Sub-Transmission Host-RTSRs<sup>8</sup>**

<b>Current Approved Sub-Transmission Host-RTSRs (2017)</b>	<b>per kWh</b>
Network Service Rate	\$3.19
<u>Connection Service Rates</u>	
Line Connection Service Rate	\$0.77
Transformation Connection Service Rate	\$1.75

### Findings

Halton Hills Hydro's proposed adjustment to its RTSRs is approved. The RTSRs were adjusted based on the current host-RTSRs and the UTRs current at the time of the filing. The OEB finds that the new 2018 UTRs are to be incorporated into the rate model to adjust the RTSRs that Halton Hills Hydro will charge its customers accordingly.

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

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<sup>8</sup> Decision and Order, EB-2016-0081, December 21, 2016

## 6 GROUP 1 DEFERRAL AND VARIANCE ACCOUNTS

In each year of an IRM term, the OEB will review a distributor's Group 1 deferral and variance accounts in order to determine whether their total balance should be disposed.<sup>9</sup> 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.<sup>10</sup> If the balance does not exceed the threshold, a distributor may elect to request disposition.

The 2016 actual year-end total balance for Halton Hills Hydro's Group 1 accounts including interest projected to April 30, 2018 is a credit amount of \$1,148,898. This amount represents a total credit claim of \$0.0023 per kWh, which exceeds the disposition threshold. Halton Hills Hydro proposes the disposition of this credit amount over a one-year period. In its submission, OEB staff supported the disposition of the Group 1 account credit balance of \$1,148,898, with agreement by Halton Hills Hydro in its reply submission.

Included in the balance of the Group 1 accounts is the Global Adjustment (GA) account credit balance of \$227,590. 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.<sup>11</sup>

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

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<sup>9</sup> 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.

<sup>10</sup> Report of the OEB – "Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR)." EB-2008-0046, July 31, 2009

<sup>11</sup> 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.

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 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.

Halton Hills Hydro proposes the refund of its GA variance account credit balance of - \$225,036 as at December 31, 2016, including interest to April 30, 2018, in accordance with Table 6.1:

**Table 6.1: Refund of GA Variance**

Proposed Amounts	Proposed Method for Refund
A credit balance of \$225,036 refunded to customers who were Class B for the entire period from January 2015 to December 2016	per kWh rate rider
A credit balance of \$2,554 from customers formerly in Class B during the period January 2015 to December 2016 who were reclassified to Class A	12 equal installments <sup>12</sup>

The balance of the Group 1 accounts includes a credit balance of \$38,933 for the refund of Capacity Based Recovery (CBR) charges for Class B customers related to the IESO's wholesale energy market Demand Response 3 program. Distributors paid CBR

<sup>12</sup> 2018 IRM Rate Generator Model, Tab 6.1a “GA Allocation”

charges to the IESO in 2015 and 2016 and recorded these to a dedicated sub-account. The disposition of this sub-account is impacted by whether or not a distributor had any customers who were part of Class A during the period from January 2015 to December 2016.

Halton Hills Hydro had a Class A customer during the period from January 2015 to December 2016. The distributor 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 one customer was reclassified between Class A and Class B during the period from January 2015 to December 2016, Halton Hills Hydro requested refunding of a portion of CBR Class B costs by way of 12 equal installments.<sup>13</sup>

The remaining Group 1 accounts being sought for disposition, through the general Deferral and Variance Account rate rider and the non-Wholesale Market Participant (non-WMP) rate rider allocated to the GS 1,000 to 4,999 kW service rate class, include the following flow through variance accounts: Low Voltage Charges, Smart Meter Entity Charges, Wholesale Market Service Charges, Retail Transmission Service Charges, Commodity Power Charges, and Account 1595 residual balances. The Group 1 accounts have a credit balance of \$882,375, 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*.<sup>14</sup> Halton Hills Hydro's proposal for a one-year disposition period is in accordance with the OEB's policy.<sup>15</sup>

## Findings

The OEB approves the disposition of a credit balance of \$1,148,898 as of December 31, 2016, including interest projected to April 30, 2018 for Group 1 accounts. This includes balances accumulated in 2015 and 2016, as no deferral and variance account balances were cleared in Halton Hills Hydro's 2017 IRM application.

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<sup>13</sup> 2018 IRM Rate Generator Model, Tab 6.2a "CBR B\_Allocation"

<sup>14</sup> Electricity Reporting and Record Keeping Requirements, Version dated May 3, 2016

<sup>15</sup> Report of the OEB – "Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR)." EB-2008-0046, July 31, 2009

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

**Table 6.2: Group 1 Deferral and Variance Account Balances**

<b>Account Name</b>	<b>Account Number</b>	<b>Principal Balance (\$) A</b>	<b>Interest Balance (\$) B</b>	<b>Total Claim (\$) C=A+B</b>
LV Variance Account	1550	834,834	21,393	856,227
Smart Meter Entity Variance Charge	1551	(12,889)	(413)	(13,302)
RSVA - Wholesale Market Service Charge	1580	(1,502,604)	16,228	(1,486,376)
Variance WMS - Sub-account CBR Class B	1580	(37,972)	(961)	(38,933)
RSVA - Retail Transmission Network Charge	1584	65,366	39,940	105,306
RSVA - Retail Transmission Connection Charge	1586	187,776	49,158	236,934
RSVA - Power	1588	(264,639)	3,062	(261,577)
RSVA - Global Adjustment	1589	(223,413)	(4,177)	(227,590)
Disposition and Recovery of Regulatory Balances (2014)	1595	(292,615)	25,578	(267,037)
Disposition and Recovery of Regulatory Balances (2015)	1595	(124,067)	71,517	(52,550)
<b>Totals for all Group 1 accounts</b>		<b>(1,370,223)</b>	<b>221,325</b>	<b>(1,148,898)</b>

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 Distributors*.<sup>16</sup> 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. Halton Hills Hydro shall ensure these adjustments are included in the reporting period ending June 30, 2018 (Quarter 2).

The OEB approves these balances to be disposed through rate riders and payments, as calculated in the Rate Generator Model. The rate riders and payments will be in effect over a one-year period from May 1, 2018 to April 30, 2019.<sup>17</sup>

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<sup>16</sup> Accounting Procedures Handbook for Electricity Distributors, effective January 1, 2012

<sup>17</sup> 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 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.<sup>18</sup> The OEB requires that distributors filing IRM applications affecting 2018 rates continue with this transition by once again adjusting their distribution rates to increase the fixed monthly service 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 10<sup>th</sup> percentile for the class). Mitigation may be required if the bill impact related to the application exceeds 10% for these customers.

Halton Hills Hydro outlined that the implementation of the transition results in a total bill impact that does not exceed four dollars and that no mitigation is required.<sup>19</sup> The bill impacts arising from the proposals in this application, including the fixed rate change, are below 10% for low volume residential customers. OEB staff also submitted that no mitigation was required for the above noted reasons.

### Findings

The OEB finds that the proposed 2018 increase to the monthly fixed charge is calculated in accordance with the OEB's residential rate design policy. The results of the monthly fixed charge, and total bill impact for low consumption residential consumers show that no mitigation is required. The OEB approves the increase as proposed by the applicant and calculated in the final Rate Generator Model.

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<sup>18</sup> OEB Policy – “A New Distribution Rate Design for Residential Electricity Customers.” EB-2012-0410, April 2, 2015

<sup>19</sup> Halton Hills Hydro 2018 IRM Application, September 25, 2017, pages 5 and 6

## 8 APPLICATION FOR NEW DEFERRAL ACCOUNT FOR DEPRECIATION

Halton Hills Hydro requested approval from the OEB to establish a deferral and variance account (DVA) to record annually an adjustment to revenue requirement of \$330,259 for the period 2016 to 2021 (or until such time as Halton Hills Hydro's next cost of service rate application). The annual amount relates to an error Halton Hills Hydro identified in the calculation of depreciation expense in its last cost of service application for May 1, 2016 rates (the 2016 rate proceeding).<sup>20</sup>

Furthermore, Halton Hills Hydro requested disposition of a balance in the account of \$660,519 for the years 2016 and 2017 through rate riders effective May 1, 2018 for a twelve month period. Halton Hills Hydro proposed that there be an annual clearance of the account from 2019 onwards.

OEB staff, VECC and SEC all opposed the approval of the DVA. Major concerns raised by intervenors and OEB staff about Halton Hills Hydro's request for a DVA included that:

- Halton Hills Hydro needs to have more rigorous controls for its processes and a utility is responsible for the accuracy of the information it files within a rate application. Concerns of a similar nature were made during Halton Hills Hydro's 2012 cost of service rate proceeding.<sup>21</sup> OEB staff submitted that this error was not administrative in nature.
- Halton Hills Hydro's 2016 rates were set by the OEB based on a settlement proposal made by the parties (and accepted by the OEB) in that proceeding. The intervenors submitted that it is not appropriate for Halton Hills Hydro to seek to adjust that settlement at this time. SEC further submitted that, in substance, Halton Hills Hydro is seeking to review and vary the OEB's decision on the 2016 rates even though the grounds are not met for correcting the error.
- There is no regulatory basis for Halton Hills Hydro's request under the OEB's rate-setting policies. Under the OEB's Price Cap IR rate-setting option, rates are set through a cost of service application for year one and there is a mechanistic

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<sup>20</sup> EB-2015-0074

<sup>21</sup> EB-2011-0271

adjustment for years two to four of the IRM term. Other permitted adjustments are a Z-factor for extraordinary events and a module for incremental capital funding.

- Halton Hills Hydro has not demonstrated that its financial viability is at risk. OEB staff noted that the forecast return on equity (ROE) provided by Halton Hills Hydro did not demonstrate that it would be under-earning by more than 300 basis points, at which point a regulatory review may be triggered.
- To recover in rates amounts for historical years (2016 and 2017) may constitute retroactive ratemaking. SEC submitted that the rule against retroactive ratemaking is not discretionary unless there is a recognized exception, and those exceptions are not applicable to Halton Hills Hydro's request.

OEB staff also suggested some options for the OEB to consider, including starting the recovery prospectively from May 1, 2018 to avoid a retroactive rate issue.

In its reply submission, Halton Hills Hydro did not dispute that care must be taken in preparing an application, but it submitted that the standard is not one of perfection. Halton Hills Hydro argued that to deny the correction would lead to a minor calculation error resulting in a significant and punitive financial impact. Halton Hills Hydro submitted that the OEB's statutory objectives require balancing of (a) consumer interests with respect to pricing and cost effectiveness; and (b) the maintenance of a financially viable electricity industry in order to set just and reasonable rates.

Halton Hills Hydro questioned how it could earn a fair return if the depreciation error was not corrected from 2016 to 2021. Halton Hills Hydro noted that its 2016 ROE was 6.76%, below the OEB-approved ROE for 2016 of 9.19%, and disallowing recovery of the depreciation calculation error would result in Halton Hills Hydro being perilously close to triggering a regulatory review every year until its next rebasing application. Halton Hills Hydro argued that it is not reasonable to assume that an error in a settlement proposal cannot be corrected.

On the issue of rate retroactivity, Halton Hills Hydro noted that the OEB recently approved a correction with respect to the reference price for a purchased gas transportation variance account (PGTVA) that was related to an error in a prior period by Natural Resource Gas Limited (NRG).<sup>22</sup>

Halton Hills Hydro noted that it is one of only six Ontario electricity distributors identified

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<sup>22</sup> Rate Order, EB-2017-0215, issued October 12, 2017

as being the most efficient in the OEB's benchmarking report.<sup>23</sup> Halton Hills Hydro submitted that the magnitude of the error is simply too large for it to absorb for the remainder of the IR term.

## Findings

The OEB will approve the establishment of a deferral account effective January 1, 2018 subject to the following conditions:

- No amounts for 2016 and 2017 may be recorded in the deferral account.
- An amount of \$330,259 per year shall be recorded in the deferral account until such time as the effective date of Halton Hills Hydro's rates from its next rebasing rate application (cost of service or custom incentive rate-setting). This amount is the depreciation error of \$339,393 less return on capital.
- No interest will apply to the balance in the deferral account as depreciation expense is a non-cash item.
- No disposition of the deferral account will be permitted if Halton Hills Hydro's actual regulated ROE exceeds the OEB's approved ROE for the aggregated period from January 1, 2018 until December 31 of the last audited fiscal year for the next rebasing application.
- Disposition of the deferral account will be determined as part of Halton Hills Hydro's next rebasing (cost of service or custom incentive rate-setting application).
- Halton Hills Hydro shall report the balance in the deferral account annually as part of the OEB's reporting and record-keeping requirements using Account 1508, Other Regulatory Assets, sub-account Net Deferred Depreciation.

The OEB finds that although this error was the responsibility of Halton Hills Hydro, it is appropriate to correct for the error on a prospective basis. While establishment of new DVAs is not part of the Price Cap IR mechanism, the OEB has approved new DVAs during an IRM term for other electricity distributors.<sup>24</sup> The OEB is making an exception

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<sup>23</sup> The stretch factor groupings are based on the Report to the Ontario Energy Board – "Empirical Research in Support of Incentive Rate-Setting: 2016 Benchmarking Update", prepared by Pacific Economics Group LLC., July 2017

<sup>24</sup> See for example: Decision and Rate Order, EB-2015-0057, issued March 17, 2016; and, Decision and Rate Order, EB-2016-0059 & EB-2016-0384, issued April 20, 2017

in this case in approving a new DVA because of the material effect of the error on Halton Hills Hydro during the IRM term. Halton Hills Hydro stated that “to leave the understatement uncorrected would severely impair [Halton Hills Hydro’s] ability to earn a fair return for the distribution of electricity”.<sup>25</sup> In addition, the OEB acknowledges Halton Hills Hydro’s submission that the magnitude of the error is large and difficult to absorb as the OEB’s benchmarking has grouped Halton Hills Hydro among the most efficient distributors in Ontario.

The OEB also finds that it is inappropriate to correct for this error retroactively. The rates for 2016 and 2017 were approved on a final basis. The OEB has broad powers to set just and reasonable rates. However, the rule against rate retroactivity is not discretionary other than for a narrow set of exceptions. The Ontario Court of Appeal determined that:

It is well established that an economic regulatory tribunal, such as the Board, operating under a positive approval scheme of ratemaking must exercise its rate-making authority on a prospective basis. Generally speaking, absent express statutory authorization, such a regulator may not exercise its rate-making authority retroactively or retrospectively.<sup>26</sup>

The Alberta Court of Appeal has stated that the critical factor for determining whether a regulator is engaging in retroactive ratemaking is the parties’ knowledge of whether the rate is subject to future change.<sup>27</sup> The OEB has not previously established an expectation that the rates for 2016 and 2017 could be subject to change.

The NRG decision relied on by Halton Hills Hydro related to a different set of circumstances. In the NRG decision, the OEB approved an adjustment to the balance in the PGTVA. The OEB found that rate retroactivity could not have occurred because the balance in the account had not been disposed of for the requested period. In addition, the forecast transportation cost for NRG was subject to a true-up to the actual cost through the PGTVA. The 2016 rate order for Halton Hills Hydro was final and no true-up was approved by the OEB for the 2016 depreciation expense.

IRM applications are intended to be streamlined and mechanistic. Given the conditions established by the OEB for the deferral account, the OEB finds that it is appropriate to dispose of the balance in a rebasing application, subject to a prudence review at that

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<sup>25</sup> Halton Hills Hydro’s Depreciation DVA Application, October 23, 2017, page 2

<sup>26</sup> Union Gas Limited v. Ontario Energy Board, 2015 ONCA 453 (CanLII), at para 82

<sup>27</sup> Atco Gas and Pipelines Ltd. v. Alberta (Utilities Commission), 2014 ABCA 28 (CanLII), at para 57

time.

Finally, the OEB agrees with OEB staff that, upon disposition of the deferral account, the balance should be allocated to customer classes based on the class-allocated revenue requirement for the purposes of calculating the rate riders.

## 9 APPLICATION FOR A Z-FACTOR

Halton Hills Hydro filed a Z-factor application for costs related to a Pay Equity settlement agreement finalized in February 2017 (Agreement). The forecast cost of the Agreement was \$261,251 and related to the 2013 to 2021 period.<sup>28</sup>

The *Pay Equity Act* was legislated in 1987, applicable to businesses incorporated under the *Ontario Business Corporations Act*. Halton Hills Hydro established a Pay Equity Committee with both management and Power Worker's Union CUPE 1000 (Union) representation in 1991 and has a Pay Equity Plan that is reviewed annually. The Agreement was the result of a negotiation process that began in September 2012 and concluded in 2017.

Z-factor claims must satisfy the OEB's three eligibility criteria as defined in the *Supplemental Report of the Board on 3<sup>rd</sup> Generation Incentive Regulation for Ontario's Electricity Distributors*<sup>29</sup> (the IRM report):

1. Materiality – the amounts must exceed the OEB-defined materiality threshold and have a significant influence on the operation of the distributor, otherwise they should be expensed in the normal course and addressed through organizational productivity improvements
2. Prudence – the amount must have been prudently incurred. This means that the distributor's decision to incur the amount must represent the most cost-effective option (not necessarily least initial cost) for ratepayers
3. Causation – amounts should be directly related to the Z-factor event. The amount must be clearly outside of the base upon which current rates were set.

The OEB's Chapter 2 Filing Requirements for IRM applications describe a Z-factor event as an unforeseen or extraordinary event outside the control of a distributor's ability to manage.<sup>30</sup>

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<sup>28</sup> \$261,251 is based on recovery of \$258,348 plus carrying costs of \$2,902

<sup>29</sup> Supplemental Report of the OEB on 3<sup>rd</sup> Generation Incentive Regulation for Ontario's Electricity Distributors, EB-2007-0673, September 17, 2008

<sup>30</sup> Filing Requirements for Electricity Distribution Rate Applications – 2017 edition for 2018 rate applications – Chapter 3 incentive Rate-Setting Applications, July 20, 2017, pp. 16-17

Halton Hills Hydro submitted that it had satisfied the OEB's criteria for a Z-factor claim. It stated that the total cost of \$261,251 exceeded Halton Hills Hydro's materiality threshold of \$50,000,<sup>31</sup> was prudently incurred through an arbitrated settlement, related to an event outside of management's control and resulted in a cost that could not be pre-determined.

SEC, VECC and OEB staff submitted that the Z-factor claim did not meet the materiality and causation criteria.

### Materiality

The intervenors and OEB staff agreed that the materiality threshold of \$50,000 applied to Halton Hills Hydro, yet submitted that \$50,000 was an annual amount. As the annual cost each year from 2013 to 2021 did not exceed \$50,000, they concluded that the materiality criteria had not been met. In addition, the intervenors and OEB staff submitted that the annual costs from 2018 to 2021 were forecast costs and should not have been included in the Z-factor claim.

OEB staff submitted that pay equity is part of the normal course of business and the utility has been aware of this specific issue since 2012. SEC submitted that settlement agreements between a distributor and its union occur in the normal course of business. VECC submitted that compliance with the *Pay Equity Act* is expected of all distributors, the cost of the adjustment was predictable, and that Halton Hills Hydro should have planned or budgeted for the occurrence.

In its reply submission, Halton Hills Hydro maintained that the total cost was material as there is no requirement that the \$50,000 threshold apply to a single year. In particular, Halton Hills Hydro submitted that it was appropriate to aggregate costs from 2013 to 2017, which were absorbed in the current period.

### **Findings**

The OEB finds that the Z-factor claim does not meet the materiality criteria.

The OEB finds the \$50,000 threshold is an annual amount. The \$50,000 materiality threshold is defined in the OEB's Chapter 2 Filing Requirements for the purpose of variance explanations for annual changes to rate base, capital expenditures and OM&A costs. While the Z-factor criteria and filing requirements do not expressly address the

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<sup>31</sup> The OEB-defined materiality threshold is \$50,000 for distributors with a revenue requirement less than or equal to \$10 million. Halton Hills Hydro's 2016 approved base revenue requirement was \$9,953,991.

aggregation of costs, it is inappropriate to use multiple years of costs to justify materiality for a Z-factor event.

In addition, Halton Hills Hydro failed to convince the OEB that a cost of \$261,251 over multiple years would have a significant influence on its operations.

Finally, the OEB expects employee compensation costs to be managed and expensed as a normal course of business. Compensation is part of every utility's operating expenses and pay equity has been a legal requirement for 30 years. Compensation costs of new collective agreements are not afforded Z-factor treatment, and neither should pay equity agreements. In addition, the OEB has denied Z-factor claims for compensation costs as demonstrated in the proceeding regarding a mandated pension-fund payment.<sup>32</sup> In its decision, the OEB found that a pension plan carries a risk that extraordinary funding contributions may be required from time to time.

In summary, the OEB finds that the cost of the Agreement does not meet the Z-factor materiality criteria.

### Prudence

Halton Hills Hydro submitted that the cost of the Agreement was prudent, resulting from an arbitrated settlement that took five years to negotiate and based on evaluations of eligible positions and position data.

No party took issue with the prudence of the claimed expenses.

### **Findings**

The OEB finds the claimed costs meet the prudence criteria. The evidence does not support a finding that Halton Hills Hydro was imprudent in executing the Agreement.

### Causation

The intervenors and OEB staff submitted that the causation criteria had not been met. They submitted that the Agreement resulted from five years of negotiation; therefore, did not qualify as an unforeseen or extraordinary event.

SEC and VECC questioned whether Halton Hills Hydro was relying on the 2017 Agreement or the 2014 letter from the Premier to the Minister of Labour (letter)<sup>33</sup> as the

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<sup>32</sup> Decision and Order, EB-2011-0277, Enbridge Gas Distribution Inc., May 10, 2012, pp. 8-10

<sup>33</sup> Z-factor application p. 7

Z-factor event to support its claim. Both SEC and VECC submitted that the letter was not cause for a Z-factor claim either, as the letter did not change the pay-equity landscape or mandate employers to do anything new.

OEB staff submitted that the cost of the Agreement was not outside the base upon which rates were set. OEB staff argued that Halton Hills Hydro was expected to manage within the operations, maintenance and administration (OM&A) envelope from 2013 to 2015 as approved in its 2012 cost of service proceeding<sup>34</sup>, and from 2015 to 2021 under the envelope of rates approved in its 2016 cost of service proceeding<sup>35</sup>, adjusted by the Price Cap IR formula. OEB staff claimed that Halton Hills Hydro should have been able to plan and budget for the impact, even if the precise cost was unknown.

Halton Hills Hydro argued that the other parties' submissions relied on hindsight, failed to recognize the context of the negotiations and the practical process by which rates are approved.

Halton Hills Hydro claimed that management could not control the negotiations, as it could not resolve the pay equity issues unilaterally. In terms of the rate-setting process, Halton Hills Hydro chose not to include a contingency amount in its 2016 cost of service application, as it claimed the cost would have been challenged as uncertain, hypothetical and unsupportable. Halton Hills Hydro considered a Z-factor claim was the more prudent course, once the amount was certain and the Agreement was final.

In addition, Halton Hills Hydro submitted that it had also satisfied the causation criteria as the cost of the pay equity adjustments are not covered by existing rates.

## Findings

The OEB finds that the Z-factor claim does not meet the causation criteria. A claim must be associated with a Z-factor event to meet the causation criteria. The Z-factor event must be unforeseen or extraordinary.

The OEB finds that the cost to Halton Hills Hydro was not unforeseen. Halton Hills Hydro indicated that it recorded a contingency of \$107,000 related to the pay equity issue in 2016. This demonstrates to the OEB that the utility took action, based on an estimated cost, to record an expense prior to finalizing the Agreement.

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<sup>34</sup> Decision and Order, EB-2011-0271, June 4, 2012, pages 17-18

<sup>35</sup> Decision and Rate Order, EB-2015-0074, March 24, 2016

The OEB also finds that the Agreement related to pay equity was not extraordinary. These particular negotiations concluded with an Agreement in 2017, yet a Pay Equity Committee had been established since 1991 and the utility's Pay Equity Plan was reviewed annually.

The OEB also does not find the letter to be a Z-factor event. A letter could not introduce new legislative requirements.

Finally, the OEB finds that compensation costs are included in the base upon which Halton Hills Hydro's rates were set, and will be set, from 2013 to 2021. This is consistent with the OEB's expectation that compensation costs be managed within the normal course of business. Furthermore, during the four years of IRM under the Price Cap IR option, a distributor's rates are disconnected from its costs in order to drive efficiency improvements. A distributor is expected to manage its operations to address events in the normal course, unless an event is unforeseen and extraordinary. In summary, the OEB denies the Z-factor claim as it does not meet the materiality and causation criteria related to a Z-factor event.

## 10 IMPLEMENTATION AND ORDER

This Decision is accompanied by a Rate Generator 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 Halton Hills Hydro's last cost of service 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 Halton Hills Hydro to the OEB.

The Rate Generator Model incorporates the rates set out in the following table.

**Table 10.1: Regulatory Charges**

<b>Rate</b>	<b>per kWh</b>
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, WMS and CBR rates were set by the OEB on December 20, 2017.<sup>36</sup>

The Smart Metering Entity charge is a component of the "Distribution Charge" on a customer's bill, established by the OEB through a separate order. The Smart Metering Entity Charge was set at \$0.57 by the OEB on March 1, 2018, effective January 1, 2018 to December 31, 2022.<sup>37</sup> The Rate Generator Model has been adjusted to incorporate this rate.

<sup>36</sup> Decision and Order, EB-2017-0333, December 20, 2017

<sup>37</sup> Decision and Order, EB-2017-0290, March 1, 2018

**THE ONTARIO ENERGY BOARD ORDERS THAT:**

1. Halton Hills Hydro Inc.'s new distribution rates shall be effective May 1, 2018.
2. The Tariff of Rates and Charges set out in Schedule A shall be deemed *draft* until the parties have complied with the subsequent procedural steps.
3. Halton Hills Hydro Inc. shall review the Tariff of Rates and Charges set out in Schedule A and shall file with the OEB, as applicable, a written confirmation of its completeness and accuracy, or provide a detailed explanation of any inaccuracies or missing information, within **7 days** of the date of issuance of this Decision and Rate Order.
4. This Tariff of Rates and Charges will be considered final if Halton Hills Hydro Inc. does not provide a submission to the OEB that inaccuracies were found or information was missing pursuant to item 3. Halton Hills Hydro Inc. shall notify its customers of the rate changes no later than the delivery of the first bill reflecting the new rates.
5. If the OEB receives a submission from Halton Hills Hydro Inc. to the effect that inaccuracies were found or information was missing pursuant to item 3, the OEB will consider the submission prior to issuing a final Tariff of Rates and Charges.

**COST AWARDS**

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

1. School Energy Coalition and Vulnerable Energy Consumers Coalition shall submit to the OEB, and copy Halton Hills Hydro Inc., their cost claims no later than May 4, 2018.
2. Halton Hills Hydro Inc. shall file with the OEB and forward to School Energy Coalition and Vulnerable Energy Consumers Coalition any objections to the claimed costs by May 11, 2018.
3. School Energy Coalition and Vulnerable Energy Consumers Coalition shall file with the OEB and forward to Halton Hills Hydro Inc. any responses to any objections for cost claims by May 18, 2018.
4. Halton Hills Hydro Inc. shall pay the OEB's costs incidental to this proceeding upon

receipt of the OEB's invoice.

All filings to the OEB must quote the file number, EB-2017-0045 and be made electronically through the OEB's web portal at <http://www.pes.ontarioenergyboard.ca/eservice/> in searchable/unrestricted PDF format. Two paper copies must also be filed at the OEB's address provided below. 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 [https://www.oeb.ca/oeb/Documents/e-Filing/RESS\\_Document\\_Guidelines\\_final.pdf](https://www.oeb.ca/oeb/Documents/e-Filing/RESS_Document_Guidelines_final.pdf). If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a USB flash drive in PDF format, along with two paper copies. Those who do not have computer access are required to file seven paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

### **ADDRESS**

Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, 27th Floor  
Toronto ON M4P 1E4  
Attention: Board Secretary

E-mail: [boardsec@oeb.ca](mailto:boardsec@oeb.ca)  
Tel: 1-888-632-6273 (Toll free)  
Fax: 416-440-7656

**DATED** at Toronto, April 26, 2018

### **ONTARIO ENERGY BOARD**

*Original signed by*

Kirsten Walli  
Board Secretary

**Schedule A**

**To Decision and Rate Order**

**Tariff of Rates and Charges**

**OEB File No: EB-2017-0045**

**DATED: April 26, 2018**

**Halton Hills Hydro Inc.**  
**TARIFF OF RATES AND CHARGES**  
**Effective and Implementation Date May 1, 2018**  
**This schedule supersedes and replaces all previously**  
**approved schedules of Rates, Charges and Loss Factors**

EB-2017-0045

## 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. The customer will be supplied at one service entrance only. Class B consumers are defined in accordance with O. Reg. 429/04. 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 Ontario Energy Board, and amendments thereto as approved by the Ontario Energy 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 Ontario Energy Board, and amendments thereto as approved by the Ontario Energy 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. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

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 Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment and the HST.

### MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	23.48
Smart Metering Entity Charge - effective until December 31, 2022	\$	0.57
Distribution Volumetric Rate	\$/kWh	0.0034
Low Voltage Service Rate	\$/kWh	0.0026
Rate Rider for Disposition of Global Adjustment Account (2018) - effective until April 30, 2019 Applicable only for Non-RPP Customers	\$/kWh	(0.0010)
Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until April 30, 2019	\$/kWh	(0.0014)
Rate Rider for Disposition of Capacity Based Recovery Account (2018) - effective until April 30, 2019 Applicable only for Class B Customers	\$/kWh	(0.0001)
Retail Transmission Rate - Network Service Rate	\$/kWh	0.0068
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.0056

### MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0032
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0003
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

**Halton Hills Hydro Inc.**  
**TARIFF OF RATES AND CHARGES**  
**Effective and Implementation Date May 1, 2018**  
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EB-2017-0045

## GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION

This classification applies 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. Class B consumers are defined in accordance with O. Reg. 429/04. 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 Ontario Energy Board, and amendments thereto as approved by the Ontario Energy 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 Ontario Energy Board, and amendments thereto as approved by the Ontario Energy 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. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

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 Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment and the HST.

### MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	28.37
Smart Metering Entity Charge - effective until December 31, 2022	\$	0.57
Distribution Volumetric Rate	\$/kWh	0.0102
Low Voltage Service Rate	\$/kWh	0.0024
Rate Rider for Disposition of Global Adjustment Account (2018) - effective until April 30, 2019 Applicable only for Non-RPP Customers	\$/kWh	(0.0010)
Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until April 30, 2019	\$/kWh	(0.0014)
Rate Rider for Disposition of Capacity Based Recovery Account (2018) - effective until April 30, 2019 Applicable only for Class B Customers	\$/kWh	(0.0001)
Retail Transmission Rate - Network Service Rate	\$/kWh	0.0060
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.0053

### MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0032
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0003
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

**Halton Hills Hydro Inc.**  
**TARIFF OF RATES AND CHARGES**  
**Effective and Implementation Date May 1, 2018**  
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EB-2017-0045

## GENERAL SERVICE 50 TO 999 KW SERVICE CLASSIFICATION

This classification applies to a non-residential customer with an average peak demand equal to or greater than 50 kW over the past twelve months, or is forecast to be equal to or greater than 50 kW, but less than 1,000 kW. For a new customer without prior billing history, the peak demand will be based on 90% of the proposed capacity or installed transformer. Class B consumers are defined in accordance with O. Reg. 429/04. 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 Ontario Energy Board, and amendments thereto as approved by the Ontario Energy 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 Ontario Energy Board, and amendments thereto as approved by the Ontario Energy 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. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

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 Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment and the HST.

Billing demands are established at the greater of 100% of the kW, or 90% of the kVA amounts with the exception of the Retail Transmission Rate-Network Service Rate, which is billed on a \$/kW basis only.

### MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	86.83
Distribution Volumetric Rate	\$/kW	3.8580
Low Voltage Service Rate	\$/kW	1.0483
Rate Rider for Disposition of Global Adjustment Account (2018) - effective until April 30, 2019 Applicable only for Non-RPP Customers	\$/kWh	(0.0010)
Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until April 30, 2019 Applicable only for Non-Wholesale Market Participants	\$/kW	(1.2172)
Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until April 30, 2019	\$/kW	0.5107
Rate Rider for Disposition of Capacity Based Recovery Account (2018) - effective until April 30, 2019 Applicable only for Class B Customers	\$/kW	(0.0276)
Retail Transmission Rate - Network Service Rate	\$/kW	2.6217
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	2.2146

### MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0032
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0003
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

**Halton Hills Hydro Inc.**  
**TARIFF OF RATES AND CHARGES**  
**Effective and Implementation Date May 1, 2018**  
**This schedule supersedes and replaces all previously**  
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EB-2017-0045

## GENERAL SERVICE 1,000 TO 4,999 KW SERVICE CLASSIFICATION

This classification applies to a non-residential customer with an average peak demand equal to or greater than 1,000 kW over the past twelve months, or is forecast to be equal to or greater than 1,000 kW, but less than 5,000 kW. For a new customer without prior billing history, the peak demand will be based on 90% of the installed transformer. Class A and Class B consumers are defined in accordance with O.Reg. 429/04. 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 Ontario Energy Board, and amendments thereto as approved by the Ontario Energy 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 Ontario Energy Board, and amendments thereto as approved by the Ontario Energy 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. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

The rate rider for the disposition of WMS - Sub-account CBR Class B is not applicable to wholesale market participants (WMP), customers that transitioned between Class A and Class B during the variance account accumulation period, or to customers that were in Class A for the entire period. Customers who transitioned are to be charged or refunded their share of the variance disposed through customer specific billing adjustments. This rate rider is to be consistently applied for the entire period to the sunset date of the rate rider. In addition, this rate rider is applicable to all new Class B customers.

The rate rider for the disposition of Global Adjustment is only applicable to non-RPP Class B customers. It is not applicable to WMP, customers that transitioned between Class A and Class B during the variance account accumulation period, or to customers that were in Class A for the entire period. Customers who transitioned are to be charged or refunded their share of the variance disposed through customer specific billing adjustments. This rate rider is to be consistently applied for the entire period to the sunset date of the rate rider. In addition, this rate rider is applicable to all new non-RPP Class B customers.

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 Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment and the HST.

Billing demands are established at the greater of 100% of the kW, or 90% of the kVA amounts with the exception of the Retail Transmission Rate-Network Service Rate, which is billed on a \$/kW basis only.

### MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	185.55
Distribution Volumetric Rate	\$/kW	3.4705
Low Voltage Service Rate	\$/kW	1.0483
Rate Rider for Disposition of Global Adjustment Account (2018) - effective until April 30, 2019 Applicable only for Non-RPP Customers	\$/kWh	(0.0010)
Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until April 30, 2019	\$/kW	(0.9398)
Rate Rider for Disposition of Capacity Based Recovery Account (2018) - effective until April 30, 2019 Applicable only for Class B Customers	\$/kW	(0.0341)
Retail Transmission Rate - Network Service Rate	\$/kW	2.6217
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	2.2146

Issued April 26, 2018

**Halton Hills Hydro Inc.**  
**TARIFF OF RATES AND CHARGES**  
**Effective and Implementation Date May 1, 2018**  
**This schedule supersedes and replaces all previously**  
**approved schedules of Rates, Charges and Loss Factors**

EB-2017-0045

**MONTHLY RATES AND CHARGES - Regulatory Component**

Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0032
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0003
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

**Halton Hills Hydro Inc.**  
**TARIFF OF RATES AND CHARGES**  
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EB-2017-0045

## 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, pedestrian X-Walk signals/beacons, 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. Class B consumers are defined in accordance with O. Reg. 429/04. 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 Ontario Energy Board, and amendments thereto as approved by the Ontario Energy 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 Ontario Energy Board, and amendments thereto as approved by the Ontario Energy 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. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

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 Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment and the HST.

### MONTHLY RATES AND CHARGES - Delivery Component

Service Charge (per connection)	\$	7.97
Distribution Volumetric Rate	\$/kWh	0.0054
Low Voltage Service Rate	\$/kWh	0.0024
Rate Rider for Disposition of Global Adjustment Account (2018) - effective until April 30, 2019 Applicable only for Non-RPP Customers	\$/kWh	(0.0010)
Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until April 30, 2019	\$/kWh	(0.0012)
Rate Rider for Disposition of Capacity Based Recovery Account (2018) - effective until April 30, 2019 Applicable only for Class B Customers	\$/kWh	(0.0001)
Retail Transmission Rate - Network Service Rate	\$/kWh	0.0060
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.0053

### MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0032
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0003
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

**Halton Hills Hydro Inc.**  
**TARIFF OF RATES AND CHARGES**  
**Effective and Implementation Date May 1, 2018**  
**This schedule supersedes and replaces all previously**  
**approved schedules of Rates, Charges and Loss Factors**

EB-2017-0045

## SENTINEL LIGHTING SERVICE CLASSIFICATION

This classification refers to accounts that are an unmetered lighting load supplied to a sentinel light. Class B consumers are defined in accordance with O. Reg. 429/04. 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 Ontario Energy Board, and amendments thereto as approved by the Ontario Energy 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 Ontario Energy Board, and amendments thereto as approved by the Ontario Energy 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. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

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 Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment and the HST.

### MONTHLY RATES AND CHARGES - Delivery Component

Service Charge (per connection)	\$	9.47
Distribution Volumetric Rate	\$/kW	35.9050
Low Voltage Service Rate	\$/kW	0.7547
Rate Rider for Disposition of Global Adjustment Account (2018) - effective until April 30, 2019 Applicable only for Non-RPP Customers	\$/kWh	(0.0010)
Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until April 30, 2019	\$/kW	(0.4711)
Rate Rider for Disposition of Capacity Based Recovery Account (2018) - effective until April 30, 2019 Applicable only for Class B Customers	\$/kW	(0.0298)
Retail Transmission Rate - Network Service Rate	\$/kW	1.8704
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	1.5942

### MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0032
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0003
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

**Halton Hills Hydro Inc.**  
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## STREET LIGHTING SERVICE CLASSIFICATION

All services supplied to street lighting equipment owned by or operated for the Municipality, the Region or the Province of Ontario shall be classified as Street Lighting Service. Street Lighting plant, facilities, or equipment owned by the customer are subject to the Electrical Safety Authority (ESA) requirements and Halton Hills Hydro specifications. Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor's Conditions of Service.

### APPLICATION

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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 Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment and the HST.

### MONTHLY RATES AND CHARGES - Delivery Component

Service Charge (per connection)	\$	2.30
Distribution Volumetric Rate	\$/kW	1.5523
Low Voltage Service Rate	\$/kW	0.7393
Rate Rider for Disposition of Global Adjustment Account (2018) - effective until April 30, 2019 Applicable only for Non-RPP Customers	\$/kWh	(0.0010)
Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until April 30, 2019	\$/kW	(0.9785)
Rate Rider for Disposition of Capacity Based Recovery Account (2018) - effective until April 30, 2019 Applicable only for Class B Customers	\$/kW	(0.0285)
Retail Transmission Rate - Network Service Rate	\$/kW	1.8617
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	1.5617

### MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0032
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0003
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

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### microFIT SERVICE CLASSIFICATION

This classification applies to an electricity generation facility contracted under the Independent Electricity System Operator'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 Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

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### MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	5.40
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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 & energy	%	(1.00)

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**SPECIFIC SERVICE CHARGES****APPLICATION**

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**Customer Administration**

Arrears certificate	\$	15.00
Statement of account	\$	15.00
Pulling post dated cheques	\$	15.00
Duplicate invoices for previous billing	\$	15.00
Request for other billing information	\$	15.00
Easement Letter	\$	15.00
Income tax letter	\$	15.00
Notification charge	\$	15.00
Account history	\$	15.00
Credit reference/credit check (plus credit agency costs)	\$	15.00
Returned Cheque (plus bank charges)	\$	15.00
Charge to certify cheque	\$	15.00
Legal letter charge	\$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	30.00
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 at Meter - during regular hours	\$	65.00
Disconnect/Reconnect at Meter - after regular hours	\$	185.00
Disconnect/Reconnect at Pole - during regular hours	\$	185.00
Disconnect/Reconnect 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

**Other**

Service call - customer owned equipment	\$	30.00
Service call - after regular hours	\$	165.00
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	\$	1,000.00
Specific charge for access to the power poles - \$/pole/year (with the exception of wireless attachments)	\$	22.35
Interval meter charge	\$	20.00

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## RETAIL SERVICE CHARGES (if applicable)

### APPLICATION

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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 Ontario Energy Board, and amendments thereto as approved by the Ontario Energy 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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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	1.0560
Total Loss Factor - Primary Metered Customer < 5,000 kW	1.0455