

# **DECISION AND RATE ORDER**

## **EB-2018-0073**

### **WASAGA DISTRIBUTION INC.**

**Application for rates and other charges to be effective May 1, 2019**

**By Delegation, Before: Theodore Antonopoulos**

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**March 28, 2019**

# 1 INTRODUCTION AND SUMMARY

Through this Decision and Order, the Ontario Energy Board (OEB) approves the incentive rate-setting mechanism (IRM) application filed by Wasaga Distribution Inc. (Wasaga Distribution) on September 25, 2018, as amended during the course of the proceeding.

Wasaga Distribution serves about 13,650 mostly residential and commercial electricity customers in the Town of Wasaga Beach. 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](#) (Filing Requirements).

Wasaga Distribution's application is based on a Price Cap Incentive Rate-setting option (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 total bill increase before taxes of \$2.14 for a residential customer consuming 750 kWh, effective May 1, 2019.

Wasaga Distribution has also applied to change the composition of its distribution service rates. 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, in 2019 the final upward adjustment, exceeding the mechanistic adjustment alone, in this decision has been made and now the distribution rates have transitioned to a fully fixed structure. There is no longer a variable usage rate for this class of customer. This policy change does not affect the total revenue that distributors collect from residential customers.

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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

This Decision is being issued by delegated authority, without a hearing, under section 6 of the *Ontario Energy Board Act, 1998* (the OEB Act).

The OEB follows a standardized and streamlined process for 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.

Wasaga Distribution filed its application on September 25, 2018, under section 78 of the OEB Act and in accordance with the Filing Requirements. Wasaga Distribution supported its application with written evidence and a completed Rate Generator Model. Questions were asked of, and answers were provided by, Wasaga Distribution through emails and phone calls with the OEB. Based on this information, a draft decision was prepared and provided to Wasaga Distribution on March 6, 2019. Wasaga Distribution 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 Wasaga Distribution's proposals relating to each of them:

- Price Cap Adjustment
- Shared Tax Adjustments
- Retail Transmission Service Rates
- Group 1 Deferral and Variance Accounts
- Residential Rate Design

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

This Decision does not address rates and charges approved by the OEB in previous proceedings which are not part of the scope of an IRM proceeding (such as specific

service charges<sup>2</sup> and loss factors). No further approvals are required to continue to include these items on a distributor's Tariff of Rates and Charges.

## 4 PRICE CAP ADJUSTMENT

Wasaga Distribution seeks to increase its rates, effective May 1, 2019, based on a mechanistic rate adjustment using the OEB-approved *inflation minus X-factor* formula applicable to Price Cap IR applications.

The components of the Price Cap IR formula applicable to Wasaga Distribution are set out in Table 4.1, below. Inserting these components into the formula results in a 1.50% increase to Wasaga Distribution's rates:  $1.50\% = 1.50\% - (0.00\% + 0.00\%)$ .

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

Components		Amount
Inflation Factor <sup>3</sup>		1.50%
X-Factor	Productivity <sup>4</sup>	0.00%
	Stretch (0.00% – 0.60%) <sup>5</sup>	0.00%

The inflation factor of 1.50% applies to all Price Cap IR applications for the 2019 rate year.

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 declining net income.

<sup>2</sup> The most recent proceedings where approval was granted to change specific service charges are the Report of the OEB – “Wireline Pole Attachment Charges” EB-2015-0304, Issued March 22, 2018 and the Decision and Order on Energy Retail Service Charges EB-2015-0304, Issued on February 14, 2019.

<sup>3</sup> For 2019 Inflation factor see Ontario Energy Board 2019 Electricity Distribution Rate applications - Updates November 23, 2018.

<sup>4</sup> Report of the OEB – “Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors” EB-2010-0379, Issued November 21, 2013, corrected December 4, 2013.

<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: 2017 Benchmarking Update”, prepared by Pacific Economics Group LLC., August 2018.

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 2019 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 Wasaga Distribution is 0.00%.

## Findings

The OEB finds that Wasaga Distribution's request for a 1.50% rate adjustment is in accordance with the annually updated parameters set by the OEB. The adjustment is approved, and Wasaga Distribution's new rates shall be effective May 1, 2019.

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

## 5 SHARED TAX ADJUSTMENTS

In any adjustment year of a Price Cap IR term, a change in legislation may result in a change to the amount of taxes payable by a distributor. For IRM applications, the OEB has long held that a 50/50 sharing of the impact of legislated tax changes between shareholders and ratepayers is appropriate in these situations. The shared tax change amount, whether in the form of a credit or a debit, will be assigned to customer rate classes in the same proportions as the OEB-approved distribution revenue by rate class from a distributor's last cost of service proceeding.

The application identifies a \$7,420 reduction in the amount of taxes refundable by Wasaga Distribution in the 2019 rate year. Therefore, an amount of \$3,710 is to be refunded to rate payers.

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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, smart metering entity charge, 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.

## Findings

The allocated tax sharing amount of \$3,710 does not produce a rate rider in one or more rate classes. The OEB therefore directs Wasaga Distribution to record the OEB-approved tax sharing amount of \$3,710 into Account 1595 Sub-account Principal Balances Approved for Disposition in 2019, by June 30, 2019 for disposition at a later date.

## 6 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 host-RTSRs to distributors embedded within the host's distribution system.

Wasaga Distribution is fully 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 6.1.

**Table 6.1: Hydro One Networks Inc. Sub-Transmission Host-RTSRs<sup>7</sup>**

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

## Findings

Wasaga Distribution's proposed adjustment to its RTSRs is approved. The RTSRs were adjusted based on the current host-RTSRs.

The differences resulting from the approval of new 2019 RTSRs will be captured in Accounts 1584 and 1586 for future disposition.

<sup>7</sup> Decision and Order, EB-2016-0081, December 21, 2016.

## 7 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>8</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>9</sup> If the balance does not exceed the threshold, a distributor may elect to request disposition.

As per Wasaga Distribution's current application, originally the 2017 actual year-end total balance for Wasaga Distribution's Group 1 accounts including interest projected to April 30, 2019 was a credit of \$681,426. This amount represents a total credit claim of \$0.0055 per kWh, which exceeds the disposition threshold.

During the proceeding, Wasaga Distribution updated the amount for disposition to a credit of \$473,363. This amount represents a total credit claim of \$0.0038 per kWh, which exceeds the disposition threshold. Wasaga Distribution proposed the disposition of this credit amount over a one-year period except for the disposition of the two proposed Account 1595 rate riders for which Wasaga Distribution has proposed a disposition period of two years.

### Account 1595 - Balances

Wasaga Distribution has requested disposition of residual balances in five sub-accounts of Account 1595 (2011, 2012, 2014, 2015, and 2016).

Disposition and Recovery/Refund of Regulatory Balances (2011)	\$ (579,151)
Disposition and Recovery/Refund of Regulatory Balances (2012)	\$ 97,623
Disposition and Recovery/Refund of Regulatory Balances (2014)	\$ 145,086
Disposition and Recovery/Refund of Regulatory Balances (2015)	\$ 47,332
Disposition and Recovery/Refund of Regulatory Balances (2016)	\$ 3,179
Total	\$ (285,930)

In its decision on Wasaga Distribution's IRM application for 2018 rates,<sup>10</sup> the OEB did not approve the disposition of sub-accounts 1595 (2011), 1595 (2012) and 1595 (2014).

<sup>8</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>9</sup> Report of the OEB – "Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR)." EB-2008-0046, July 31, 2009.

<sup>10</sup> Decision and Rate Order, EB-2017-0079, March 22, 2018.

The OEB stated that the residual credit balance of \$568,217 in the Disposition and Recovery/Refund of the regulatory balance of sub-account 1595 (2011) appeared excessive. The OEB was not persuaded that the amount proposed for disposition was reasonably accurate, and stated more information would be required to substantiate the causes of such large residual balances. The OEB ordered Wasaga Distribution to perform an in-depth analysis for each of the sub-accounts relating to Account 1595 and submit it with its 2019 IRM rate application.

In this proceeding, Wasaga Distribution provided detailed analysis for each of the residual balances for sub-accounts 1595 (2011), 1595 (2012), and 1595 (2014), as per the OEB 2018 IRM Decision and Rate Order. The analysis and calculations for each account 1595 sub-account included the following:

- Principal and interest amounts approved by the OEB, in previous rate proceedings, that were transferred into the applicable account 1595 sub-accounts
- Amounts recovered/returned to customers through rate riders, for each respective account 1595 sub-account
- Correctly recalculated carrying charges, based on OEB accounting guidance,<sup>11</sup> for each of the respective account 1595 sub-accounts

Wasaga Distribution is proposing to return \$285,930 in relation to the sub-accounts of Account 1595 to customers through two separate rate riders: one rate rider to return \$457,396 related to residual Global Adjustment (GA) amounts and, another rate rider to recover \$171,466 for all other residual balances, per Table 7.2 below. In addition, in Table 7.2 Wasaga Distribution provides calculations for both, one year and two year rate riders.

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<sup>11</sup> OEB Accounting Procedures Handbook frequently asked questions, October 2009



**Table 7.2 Account 1595 Allocation Residual Account Balances<sup>12</sup>**

Proposed Rate Riders for Disposition of Residual Balances of Account 1595 Sub-Accounts*						
1595 Residual Group 1 DVA Excluding 1589 GA - Principal & Interest			171,466.32			
1595 Residual 1589 GA - Principal & Interest			-457,396.44			
Total 1595 Sub Accounts Requested for Disposition			-285,930.12			
BILLING DETERMINANTS FOR RATE RIDERS:						
Group 1 DVA Excluding 1589	kWh	kW	kWh Allocn %	Allocn to Class	Rate Rider (one year)	Proposed Rate Rider (two years)
Residential	87,878,523		70.48%	120,856.27	0.0014	0.0007
General Service Less Than 50 kW	17,031,696		13.66%	23,423.10	0.0014	0.0007
General Service 50 to 4,9999 kW	16,057,868	49,439	12.88%	22,083.83	0.4467	0.2234
Wholesale Market Participant	2,803,203	5,558	2.25%	3,855.15	0.6936	0.3468
Unmetered Scattered Load	148,721		0.12%	204.53	0.0014	0.0007
Street Lighting	758,728	2,244	0.61%	1,043.45	0.4650	0.2325
<b>TOTAL</b>	<b>124,678,739</b>	<b>57,241</b>	<b>100.00%</b>	<b>171,466.32</b>		
BILLING DETERMINANTS FOR RATE RIDERS:						
1589 GA	kWh	kWh Allocn %	Allocn to Class	Proposed Rate Rider (one year)	Proposed Rate Rider (two years)	
Residential	1,675,850	8.82%	-40,345.57	-0.0241	-0.0121	
General Service Less Than 50 kW	1,460,192	7.69%	-35,153.67	-0.0241	-0.0121	
General Service 50 to 4,9999 kW	15,104,290	79.50%	-363,631.06	-0.0241	-0.0121	
Unmetered Scattered Load	0	0.00%	0.00	0.0000	0.0000	
Street Lighting	758,728	3.99%	-18,266.14	-0.0241	-0.0121	
<b>TOTAL</b>	<b>18,999,060</b>	<b>100.00%</b>	<b>-457,396.44</b>			
* - Residual Balances for 1595 Sub-Accounts allocated between DVA and GA components for 2011, 2012, 2014, 2015 & 2016						

Wasaga Distribution has provided rationale for proposing separate rate riders for the residual balances remaining in the sub-accounts of Account 1595, as it is not consistent with the OEB policy (i.e. Group 1 accounts, including 1595 but excluding Account 1589, are generally required to be grouped together to create one rate rider). Wasaga Distribution stated that, due to the large balances remaining in Account 1595 relating to GA, it would be more equitable and fairer for the rate classes if a separate rate rider was established.

Wasaga Distribution requested the disposition of the residual balances of account 1595 (per Table 7.2) over a period of two years. Wasaga Distribution provided data indicating that the Residential and General Service > 50 kW non-RPP customers would have a total bill impact of greater than +/- 10% if a disposition period of 1 year was used.

Included in the balance of the Group 1 accounts is the GA account credit balance of \$28,132. 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>13</sup>

<sup>12</sup> Amounts requested by Wasaga Distribution, consistent with email dated February 6, 2019.

<sup>13</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.

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 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 the 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.

Wasaga Distribution proposes the recovery of its GA variance account credit balance of \$28,132 as at December 31, 2017, including interest to April 30, 2019, in accordance with the following table.

**Table 7.3: Recovery of GA Variance**

Proposed Amounts	Proposed Method for Recovery
\$28,132 recovered from customers who were Class B for the entire period from January 2017 to December 2017	per kWh rate rider

The balance of the Group 1 accounts includes a credit of \$1,913 for the recovery of Capacity Based Recovery (CBR) charges for Class B customers related to the IESO's wholesale energy market for Capacity Based Recovery program. Distributors pay CBR charges to the IESO and record 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 2017 to December 2017. The disposition is also impacted by whether or not the Class B CBR rate riders in the 2019 IRM Rate Generator Model<sup>14</sup> rounds to zero at the fourth decimal place in one or more rate classes.

<sup>14</sup> 2019 IRM Rate Generator Model, Tab 6.2 “CBR B”.

Wasaga Distribution had no Class A customers during the period from January 2017 to December 2017 so it applied to have the balance of this account disposed along with Account 1580 - Wholesale Market Service Charge through the general Deferral and Variance Account rate rider.

In addition to the two 1595 sub-account rate riders and the Account 1589 GA rate rider, Wasaga Distribution is also proposing to dispose the remaining Group 1 accounts through the general Deferral and Variance Account (DVA) Rate Rider. The general DVA Rate Rider includes 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 \$159,300, which is a refund to customers, as per the table below:

**Table 7.4: Balances Requested for General DVA Rate Rider**

	<b>Account</b>	<b>Amount (\$)</b>
LV Variance Account	1550	162,870
Smart Metering Entity Charge Variance Account	1551	(5,251)
RSVA - Wholesale Market Service Charge	1580	(129,100)
Variance WMS – Sub-account CBR Class B	1580	(1,913)
RSVA - Retail Transmission Network Charge	1584	(22,988)
RSVA - Retail Transmission Connection Charge	1586	(79,325)
RSVA - Power <sup>4</sup>	1588	(83,594)
<b>TOTAL</b>		<b>(\$159,300)</b>

The balances proposed for disposition reconcile with the amounts reported as part of the OEB's *Electricity Reporting and Record-Keeping Requirements*,<sup>15</sup> except as noted above.

## Findings

The OEB is of the view that the analysis provided by Wasaga Distribution on the Account 1595 sub-accounts adequately tracked amounts disposed and recovered over the applicable periods and therefore justifies the revised balances proposed for disposition. In addition, Wasaga Distribution provided sufficient analysis to substantiate the disposition of sub-accounts 1595 (2015) and 1595 (2016), which are also being requested for disposition in this proceeding.

<sup>15</sup> Electricity Reporting and Record Keeping Requirements, Version dated May 3, 2016.

The OEB finds that Wasaga Distribution has provided adequate evidence and explanation to support its proposal to use two separate rate riders for the residual balances in its various sub-accounts of Account 1595. While the OEB's policy for disposing of residual balances does not require separate riders to distinguish between the GA true up and the true up of the remaining accounts, in this case, because of the lengthy historical period involved, and the directionally different true up balances that result, the OEB agrees that a more precise true up than is normally required is appropriate. The OEB is also satisfied that a two year period is required to maintain bill impacts within the 10% threshold.

The OEB approves the disposition of a credit balance of \$187,433 as of December 31, 2017, including interest projected to April 30, 2019 for Group 1 accounts excluding the various sub-accounts of Account 1595 on an interim basis. The OEB also approves the residual balances in its various subaccounts of Account 1595 of a credit of \$285,930 on an interim basis.

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

**Table 7.5: 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	159,709	3,161	162,870
Smart Meter Entity Variance Charge	1551	(5,129)	(122)	(5,251)
RSVA - Wholesale Market Service Charge	1580	(126,236)	(2,864)	(129,100)
Variance WMS - Sub-account CBR Class B	1580	(1,748)	(164)	(1,913)
RSVA - Retail Transmission Network Charge	1584	(21,319)	(1,670)	(22,988)
RSVA - Retail Transmission Connection Charge	1586	(77,419)	(1,906)	(79,325)
RSVA – Power	1588	(81,951)	(1,643)	(83,594)
RSVA - Global Adjustment	1589	(27,593)	(539)	(28,132)
Disposition and Recovery of Regulatory Balances (2011)	1595	(542,594)	(36,556)	(579,151)

Disposition and Recovery of Regulatory Balances (2012)	1595	47,142	50,480	97,623
Disposition and Recovery of Regulatory Balances (2014)	1595	118,023	27,063	145,086
Disposition and Recovery of Regulatory Balances (2015)	1595	29,824	17,509	47,332
Disposition and Recovery of Regulatory Balances (2016)	1595	1,421	1,759	3,179
<b>Totals for all Group 1 accounts</b>		(527,871)	54,508	(473,363)

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. Wasaga Distribution shall ensure these adjustments are included in the reporting period ending June 30, 2019 (Quarter 2).

The OEB approves these balances to be disposed through interim rate riders as calculated in the Rate Generator Model, and as provided by Wasaga Distribution in its account 1595 rate riders.<sup>17</sup> The interim rate riders for the group 1 account balances excluding the residual balances of account 1595 sub-accounts will be in effect over a one-year period from May 1, 2019 to April 30, 2020.<sup>18</sup> In addition, the rate riders for residual balances of account 1595 sub-accounts will be in effect over a two-year period from May 1, 2019 to April 30, 2021.

## 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

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

<sup>17</sup> Ibid note 12.

<sup>18</sup> 2019 IRM Rate Generator Model Tab 6.1 GA, Tab 7 Calculation of Def-Var RR.

four-year period, beginning in 2016.<sup>19</sup> This is the last year of Wasaga Distribution's transition period and, accordingly, 2019 is the final year in which Wasaga Distribution's rates will be adjusted upwards by more than the mechanistic adjustment alone. Wasaga Distribution has transitioned to a fully fixed structure.

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.

Wasaga Distribution notes that the implementation of the transition results in an increase to the fixed charge prior to the price cap adjustment of \$2.42. 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 distributor has now completed its transition to a fully fixed rate structure. The OEB finds that the proposed 2019 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 demonstrate that no mitigation is required. The OEB approves the increase as proposed by the applicant and calculated in the final Rate Generator Model.

## 9 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 Wasaga Distribution's last cost of service decision, and to ensure that the 2018 OEB-approved Tariff of Rates and Charges, as well as the cost, revenue and consumption results from 2017, are as reported by Wasaga Distribution to the OEB.

The Rate Generator Model was adjusted, where applicable, to correct any discrepancies. The Rate Generator Model incorporates the rates set out in the following

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<sup>19</sup> As outlined in the Policy cited at footnote 1 above.

table.

**Table 9.1: Regulatory Charges**

<b>Rate</b>	<b>per kWh</b>
Rural or Remote Electricity Rate Protection (RRRP)	\$0.0005
Wholesale Market Service (WMS) billed to Class A and B Customers	\$0.0030
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, 2018.<sup>20</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 by the OEB on March 1, 2018.<sup>21</sup>

### **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 date for electricity consumed or estimated to have been consumed on and after such date. Wasaga Distribution Inc. shall notify its customers of the rate changes no later than the delivery of the first bill reflecting the new final and interim rates.

**DATED** at Toronto, March 28, 2019

### **ONTARIO ENERGY BOARD**

*Original signed by*

Kirsten Walli  
Board Secretary

<sup>20</sup> Decision and Order, EB-2018-0294, December 20, 2018.

<sup>21</sup> Decision and Order, EB-2017-0290, March 1, 2018.

**Schedule A**

**To Decision and Rate Order**

**Tariff of Rates and Charges**

**OEB File No: EB-2018-0073**

**DATED: March 28, 2019**



**Wasaga Distribution Inc.**  
**TARIFF OF RATES AND CHARGES**  
**Effective and Implementation Date May 1, 2019**  
**This schedule supersedes and replaces all previously**  
**approved schedules of Rates, Charges and Loss Factors**

EB-2018-0073

## RESIDENTIAL SERVICE CLASSIFICATION

This classification refers to an account taking electricity at 750 volts or less where the electricity is used exclusively in a separately 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. 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 a 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 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 Global Adjustment and HST.

## MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	22.95
Smart Metering Entity Charge - effective until December 31, 2022	\$	0.57
Low Voltage Service Rate	\$/kWh	0.0024
Rate Rider for Disposition of Global Adjustment Account (2019) - effective until April 30, 2020 Applicable only for Non-RPP Customers - Approved on an Interim Basis	\$/kWh	(0.0015)
Rate Rider for Disposition of Deferral/Variance Accounts (2019) - effective until April 30, 2020 - Approved on an Interim Basis	\$/kWh	(0.0013)
Rate Rider for Disposition of Account 1595 - Deferral/Variance Accounts (2019) - effective until April 30, 2021 - Approved on an Interim Basis	\$/kWh	0.0007
Rate Rider for Disposition of Account 1595 - Global Adjustment Account (2019) - Applicable only for Non-RPP Customers - effective until April 30, 2021 - Approved on an Interim Basis	\$/kWh	(0.0121)
Retail Transmission Rate - Network Service Rate	\$/kWh	0.0066
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.0038

## MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0030
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0005
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

**Wasaga Distribution Inc.**  
**TARIFF OF RATES AND CHARGES**  
**Effective and Implementation Date May 1, 2019**  
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## GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION

This classification refers to a non residential account taking electricity at 750 volts or less whose monthly average peak 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.

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### MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	15.45
Smart Metering Entity Charge - effective until December 31, 2022	\$	0.57
Distribution Volumetric Rate	\$/kWh	0.0156
Low Voltage Service Rate	\$/kWh	0.0021
Rate Rider for Disposition of Global Adjustment Account (2019) - effective until April 30, 2020 Applicable only for Non-RPP Customers - Approved on an Interim Basis	\$/kWh	(0.0015)
Rate Rider for Disposition of Deferral/Variance Accounts (2019) - effective until April 30, 2020 - Approved on an Interim Basis	\$/kWh	(0.0013)
Rate Rider for Disposition of Account 1595 - Deferral/Variance Accounts (2019) - effective until April 30, 2021 - Approved on an Interim Basis	\$/kWh	0.0007
Rate Rider for Disposition of Account 1595 - Global Adjustment Account (2019) - Applicable only for Non-RPP Customers - effective until April 30, 2021 - Approved on an Interim Basis	\$/kWh	(0.0121)
Retail Transmission Rate - Network Service Rate	\$/kWh	0.0059
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.0033

### MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0030
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0005
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

**Wasaga Distribution Inc.**  
**TARIFF OF RATES AND CHARGES**  
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EB-2018-0073

## GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION

This classification refers to a non residential account whose monthly average peak demand is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 5,000 kW. 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 a 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.

If included in the following listing of monthly rates and charges, 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.

If included in the following listing of monthly rates and charges, 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 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 Global Adjustment and HST.

### MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	35.35
Distribution Volumetric Rate	\$/kW	5.3335
Low Voltage Service Rate	\$/kW	0.8246
Rate Rider for Disposition of Global Adjustment Account (2019) - effective until April 30, 2020 Applicable only for Non-RPP Customers - Approved on an Interim Basis	\$/kWh	(0.0015)
Rate Rider for Disposition of Deferral/Variance Accounts (2019) - effective until April 30, 2020 Applicable only for Non-Wholesale Market Participants - Approved on an Interim Basis	\$/kW	(0.5719)
Rate Rider for Disposition of Deferral/Variance Accounts (2019) - effective until April 30, 2020 - Approved on an Interim Basis	\$/kW	0.1666
Rate Rider for Disposition of Account 1595 - Deferral/Variance Accounts (2019) - effective until April 30, 2021 - Approved on an Interim Basis	\$/kW	0.2234
Rate Rider for Disposition of Account 1595 - Global Adjustment Account (2019) - Applicable only for Non-RPP Customers - effective until April 30, 2021 - Approved on an Interim Basis	\$/kWh	(0.0121)

Issued - March 28, 2019

**Wasaga Distribution Inc.**  
**TARIFF OF RATES AND CHARGES**  
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Rate Rider for Disposition of Account 1595 - Deferral/Variance Accounts (2019) - Applicable for Wholesale Market Participants only - effective until April 30, 2021 - Approved on an Interim Basis	\$/kW	0.3468
Retail Transmission Rate - Network Service Rate	\$/kW	2.4338
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	1.2925

**MONTHLY RATES AND CHARGES - Regulatory Component**

Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0030
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0005
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

**Wasaga Distribution Inc.**  
**TARIFF OF RATES AND CHARGES**  
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## UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION

This application refers to an account taking electricity at 750 volts or less whose monthly average peak demand is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. Such connections include cable, TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The customer will provide detailed manufacturer information/documentation with regard to the electrical demand/consumption of the proposed unmetered load. 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 a 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 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 Global Adjustment and HST.

### MONTHLY RATES AND CHARGES - Delivery Component

Service Charge (per connection)	\$	4.45
Distribution Volumetric Rate	\$/kWh	0.0089
Low Voltage Service Rate	\$/kWh	0.0021
Rate Rider for Disposition of Deferral/Variance Accounts (2019) - effective until April 30, 2020 - Approved on an Interim Basis	\$/kWh	(0.0013)
Rate Rider for Disposition of Account 1595 - Deferral/Variance Accounts (2019) - effective until April 30, 2021 - Approved on an Interim Basis	\$/kWh	0.0007
Retail Transmission Rate - Network Service Rate	\$/kWh	0.0059
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.0033

### MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0030
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0005
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

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## STREET LIGHTING SERVICE CLASSIFICATION

This classification refers to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of Transportation and private roadway lighting operation, controlled by photo cells. The consumption for these customers will be based on the calculated connected load times the required lighting times, established in the approved Ontario Energy Board street lighting load shape template. 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.

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### MONTHLY RATES AND CHARGES - Delivery Component

Service Charge (per connection)	\$	1.64
Distribution Volumetric Rate	\$/kW	0.9862
Low Voltage Service Rate	\$/kW	0.6397
Rate Rider for Disposition of Global Adjustment Account (2019) - effective until April 30, 2020 Applicable only for Non-RPP Customers - Approved on an Interim Basis	\$/kWh	(0.0015)
Rate Rider for Disposition of Deferral/Variance Accounts (2019) - effective until April 30, 2020 - Approved on an Interim Basis	\$/kW	(0.4312)
Rate Rider for Disposition of Account 1595 - Deferral/Variance Accounts (2019) - effective until April 30, 2021 - Approved on an Interim Basis	\$/kW	0.2325
Rate Rider for Disposition of Account 1595 - Global Adjustment Account (2019) - Applicable only for Non-RPP Customers - effective until April 30, 2021 - Approved on an Interim Basis	\$/kWh	(0.0121)
Retail Transmission Rate - Network Service Rate	\$/kW	1.8357
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	0.9992

### MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0030
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0005
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

**Wasaga Distribution Inc.**  
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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	\$	10.00
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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)

**SPECIFIC SERVICE CHARGES**

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No charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

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**Customer Administration**

Arrears certificate	\$	15.00
Statement of account	\$	15.00
Request for other billing information	\$	15.00
Easement letter	\$	15.00
Income tax letter	\$	15.00
Account history	\$	15.00
Credit reference/credit check (plus credit agency costs)	\$	15.00
Returned cheque (plus bank charges)	\$	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 (see Note below)**

Late payment - per month	%	1.50
Late payment charge - per annum	%	19.56
Collection of account charge - no disconnection	\$	30.00
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
Specific charge for access to the power poles - \$/pole/year (with the exception of wireless attachments)	\$	43.63

**NOTE: Ontario Energy Board Rate Order EB-2017-0183, issued on March 14, 2019, identifies changes to the Non-Payment of Account Service Charges effective July 1, 2019**



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## RETAIL SERVICE CHARGES (if 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	\$	40.00
Monthly variable charge, per customer, per retailer	\$/cust.	1.00
Distributor-consolidated billing monthly charge, per customer, per retailer	\$/cust.	0.60
Retailer-consolidated billing monthly credit, per customer, per retailer	\$/cust.	(0.60)
Service Transaction Requests (STR)		
Request fee, per request, applied to the requesting party	\$	0.50
Processing fee, per request, applied to the requesting party	\$	1.00
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)	\$	4.00
Notice of switch letter charge, per letter (unless the distributor has opted out of applying the charge as per the Ontario Energy Board's Decision and Order EB-2015-0304, issued on February 14, 2019)	\$	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	1.0802
Total Loss Factor - Primary Metered Customer < 5,000 kW	1.0702