



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

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## **DECISION AND ORDER**

**EB-2018-0192**

**In the matter of Distribution Rate Protection effective July 1, 2018**

**BY DELEGATION, BEFORE: Theodore Antonopoulos**

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**JUNE 21, 2018**

## TABLE OF CONTENTS

|   |                               |   |
|---|-------------------------------|---|
| 1 | INTRODUCTION AND SUMMARY..... | 1 |
| 2 | THE PROCESS .....             | 2 |
| 3 | ANALYSIS .....                | 3 |
| 4 | ORDER .....                   | 6 |

SCHEDULE A

## 1 INTRODUCTION AND SUMMARY

The Fair Hydro Plan introduced a new Distribution Rate Protection (DRP) program for residential customers who live in areas with higher distribution costs funded through provincial revenues.

This Decision and Order establishes the maximum monthly base distribution charge that utilities subject to the DRP program can charge a residential customer. The maximum charge that these utilities are allowed to charge their customers effective with July 1, 2018 consumption is \$36.86 per month.

Amendments to utility-specific tariffs of rates and charges to reflect the above change are not required. Where applicable, utilities must commence applying the maximum charge effective with July 1, 2018 consumption.

## 2 THE PROCESS

The calculation of the maximum monthly base distribution charge for DRP customers is largely a mechanistic exercise. Accordingly, this Decision and Order is issued by a delegated decision-maker without a hearing pursuant to subsection 6(4) of the *Ontario Energy Board Act, 1998* (OEB Act). The rate established in this Decision and Order will be in respect of electricity consumed on or after July 1, 2018.

### 3 ANALYSIS

The OEB Act was amended in 2017 to add a new section 79.3, which establishes the DRP program, to be funded through provincial revenues. Beginning on July 1, 2017, eligible residential customers served by the following utilities qualify for DRP. Eligibility is prescribed in Ontario Regulation 198/17 (the DRP Regulation):

| Utility   | Class                   |
|---|-------------------------|
| Algoma Power Inc.   | Residential – R1        |
| Atikokan Hydro Inc.   | Residential             |
| Chapleau Public Utilities Corporation                                       | Residential             |
| Hydro One Networks Inc.   | Residential – R1 and R2 |
| InnPower Corporation  | Residential             |
| Lakeland Power Distribution Ltd.<br>(former Parry Sound Power service area) | Residential             |
| Northern Ontario Wires Inc.   | Residential             |
| Sioux Lookout Hydro Inc.  | Residential             |

The DRP program provides for a cap on the amount that can be charged for base distribution charges, which consist of the base monthly fixed service charge and base variable distribution charge. The OEB calculates the cap or maximum monthly base distribution charge based on the parameters outlined in the DRP Regulation. The first determination under the DRP Regulation was made on June 22, 2017, and applied to electricity consumed on or after July 1, 2017.<sup>1</sup> For each subsequent determination, the DRP Regulation requires the OEB to establish the maximum charge, at least once a year, based on the lowest of the base distribution charges of the above distributors that have had rates approved by the OEB effective on or after the date on which the OEB last made a determination under the DRP Regulation. For this determination, the last instance was the June 22, 2017 decision. The DRP Regulation also requires the OEB to

<sup>1</sup> Decision and Order, in the matter of the RRRP and DRP for July 1, 2017, EB-2017-0234, June 22, 2017.

set the amount as the greater of: (a) the lowest of the monthly base distribution charges that were established in a rate order since the OEB's last determination of the maximum amount; and (b) the previously approved maximum amount. All rate riders and adders, including those that are intended to recover a distributor's costs, are excluded from the calculation of the maximum base distribution charge and from the actual monthly base distribution charge to which the maximum charge will be compared in order to determine which one of the two charges will be billed to eligible customers.

Five distributors named in the DRP Regulation have had rates approved by the OEB effective July 1, 2017 or after. The OEB has used the approved distribution charges of these five distributors to set the maximum monthly base distribution charge. The distributors that have not had a new rate order effective after July 1, 2017 are Chapleau Public Utilities Corporation, Sioux Lookout Hydro Inc. and Hydro One Networks Inc.

The monthly base distribution charge for each of the five distributors' residential class was calculated based on the 2018 approved monthly fixed charge divided by the percentage of revenue for the class collected through the fixed monthly service charge in the most recent application filed by each of the subject utilities. For example, if the approved 2018 monthly fixed charge is \$20.00 and 65% of the class revenue is currently collected by the monthly fixed service charge, the monthly base distribution charge for this example utility would be  $\$20.00 / .65 = \$30.77$ . This is used as a proxy for a fully fixed distribution charge. Once a proxy charge is calculated for each of the five classes, the lowest charge is established as the maximum charge that all prescribed utilities, including Chapleau Public Utilities Corporation, Sioux Lookout Hydro Inc. and Hydro One Networks Inc., can charge their eligible residential customers as a base distribution charge effective with July 1, 2018 consumption. The proxy charges calculated for the applicable distributors are shown in the following table:

**2018 Fully Fixed Distribution Charge for Named LDCs**

| <b>LDC</b>   | <b>Calculated Fully Fixed Distribution Charge</b> |
|--|---|
| Algoma Power Inc.*   | \$56.16   |
| Atikokan Hydro Inc.  | \$47.10   |
| Innpower Corporation   | \$43.20   |
| Lakeland Power Distribution Ltd. (former Parry Sound Power service area) | \$42.15   |
| Northern Ontario Wires Inc.  | \$36.86   |

\*reflects funding from RRRP program

**Findings**

The OEB has determined that of the five utilities that had rates approved since the OEB's last determination of the DRP amount, the one with the lowest charge calculated on a fully fixed basis is the Northern Ontario Wires Inc. residential class, at \$36.86 per month. This calculated amount is slightly greater than the previously applicable amount of \$36.43 per month. Accordingly, \$36.86 will be the maximum monthly base distribution charge for all DRP-eligible customers. The estimated total bill impact reflecting this change as of July 1, 2018 is an average increase of 0.37% for all DRP-eligible customers consuming 750 kilowatt-hours per month.

All of the named distributors must calculate the monthly base distribution amount for customers in the applicable classes, with respect to electricity consumed on or after July 1, 2018, as per the normal course. Then the named distributors must compare the actual base distribution charge to the maximum charge approved in this Decision and Order and charge eligible customers no more than the maximum amount.

## 4 ORDER

Attached to this Decision and Order as Schedule A is the communication letter to distributors regarding the DRP maximum charge for July 1, 2018.

### THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Atikokan Hydro Inc., InnPower Corporation, Chapleau Public Utilities Corporation, Sioux Lookout Hydro Inc., Northern Ontario Wires Inc., Hydro One Networks Inc., Lakeland Power Distribution Inc., and Algoma Power Inc. shall not charge eligible DRP customers more than \$36.86 for monthly base distribution charges for electricity consumed on or after July 1, 2018.

**DATED** at Toronto, June 21, 2018

### ONTARIO ENERGY BOARD

*Original signed by*

Kirsten Walli  
Board Secretary



**SCHEDULE A**

**EB-2018-0192**

**COMMUNICATION TO DISTRIBUTORS**

**REGARDING THE DISTRIBUTION RATE PROTECTION PROGRAM**

**JUNE 21, 2018**

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**BY EMAIL**

**EB-2018-0192**

June 21, 2018

**To:** Atikokan Hydro Inc., InnPower Corporation, Chapleau Public Utilities Corporation, Sioux Lookout Hydro Inc., Northern Ontario Wires Inc., Hydro One Networks Inc., Lakeland Power Distribution Ltd., Algoma Power Inc.

**Re: Distribution Rate Protection**

On June 21, 2018 the Ontario Energy Board (OEB) issued a Decision and Order establishing the maximum monthly base distribution charge for eligible residential customers under the Distribution Rate Protection program, pursuant to section 79.3 of the *Ontario Energy Board Act, 1998* (EB-2018-0192).

Effective for electricity consumed on or after July 1, 2018, the maximum monthly base distribution charge for eligible customers shall be \$36.86.

Yours truly,

*Original Signed By*

Kirsten Walli  
Board Secretary