



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

DECISION AND RATE ORDER

EB-2018-0071

**TORONTO HYDRO-ELECTRIC SYSTEM
LIMITED**

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

By Delegation, Before: Theodore Antonopoulos

December 13, 2018

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1 INTRODUCTION AND SUMMARY

This is the Decision and Rate Order for Toronto Hydro-Electric System Limited's (Toronto Hydro) Custom Incentive Rate-setting (IR) – Year 5 update application for 2019 rates.

Toronto Hydro serves approximately 767,946 customers in the City of Toronto. The company is seeking the Ontario Energy Board's (OEB) approval for the rates it charges to distribute electricity to its customers, as is required of rate-regulated distributors in Ontario.

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

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

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

¹ EB-2014-0116, Decision and Order, December 29, 2015

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

Toronto Hydro filed this current application on August 31, 2018, to seek approval to implement the pre-approved formula which will set distribution rates to be effective January 1, 2019.

Toronto Hydro applied for a base rate increase of 3.93% in accordance with the approved Custom IR framework, updated with the OEB approved 2019 parameters for inflation and incorporating the capital factor (including accounting for growth). The 3.93% price cap adjustment applies to distribution rates (fixed and variable charges) uniformly across all customer classes with the exception of the microFIT rate class.

Toronto Hydro also applied to change the composition of its residential distribution service rates. Residential distribution service rates currently include a fixed monthly charge and a variable usage charge. In 2015, the OEB issued a policy to transition these rates to a fully fixed structure over a four-year period beginning in 2016.² Accordingly, the fixed monthly charge for 2019 has once again been adjusted upward in this Decision and Rate Order by more than the mechanistic adjustment alone. The variable usage rate is commensurately lower. This policy change does not affect the total revenue distributors collect from residential customers.

This Decision and Rate Order on Toronto Hydro's Custom IR update application will result in a monthly increase of \$6.33 for a residential customer consuming 750 kWh which represents an approximate 5.41% increase on total bill, effective January 1, 2019.

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

2 THE PROCESS

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

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

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

On August 31, 2018, Toronto Hydro submitted its Custom IR update application supported by written evidence and a completed Rate Generator Model. Questions were asked of, and answers were provided by, Toronto Hydro through emails and phone calls with the OEB. Based on this information, a decision was drafted and provided to Toronto Hydro on December 5, 2018. Toronto Hydro was given the opportunity to provide its comments on the draft for consideration prior to the OEB issuing this Decision and Rate Order.

3 ORGANIZATION OF THE DECISION

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

- Custom Price Cap Adjustment
- Retail Transmission Service Rates (RTSR)
- Group 1 Deferral and Variance Accounts (DVA)
- Lost Revenue Adjustment Mechanism Variance Account (LRAMVA)
- Residential Rate Design

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

4 CUSTOM PRICE CAP ADJUSTMENT

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

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

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

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

The OEB has set the inflation factor for 2019 rates at 1.5% based on the established formula.⁶

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

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

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

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

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

⁶ https://www.oeb.ca/sites/default/files/2019_IPI_input_price_index.png

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

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

setting term following the 2015 rebasing year.

Table 4-1 - CPCI Factors and Values

%	2016	2017	2018	2019
I-Inflation	2.1	1.9	1.2	1.5
X-Productivity	(0.0)	(0.0)	(0.0)	(0.0)
X-Stretch	(0.6)	(0.6)	(0.6)	(0.6)
Cn-Capital Factor	4.07	7.60	5.99	4.43
Scap-Share of Capital	68.9	70.8	72.2	73.1
g-Growth	(0.3)	(0.3)	(0.3)	(0.3)
CPCI	3.83	7.26	5.42	3.93

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

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

Findings

The resulting net price cap adjustment for Toronto Hydro is 3.93% (i.e. 1.5% - (0% + 0.60%) + (4.43% - 73.1% x 1.5%) - 0.3%). This adjustment represents the increase for inflation in accordance with the OEB's formula described above as well as \$451.9 million in capital spending for the 2019 calendar year that was previously approved by the OEB, representing a 10% reduction in the amounts originally proposed by Toronto Hydro.

The 3.93% adjustment applies to distribution rates (fixed and variable charges)

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

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

uniformly across all customer classes.¹¹

The CRRRVA was not addressed in this application and the OEB will review the variance account in Toronto Hydro's next Custom IR or rebasing application. Toronto Hydro provided information as to the status of the ESM variance account. Toronto Hydro stated that this is below the threshold of 100 basis points and therefore no amounts need to be recorded for future earnings sharing for the 2017 fiscal year. The ESM variance account balance is to be reviewed for disposition at the end of the current Custom IR term and therefore no finding is required as part of this Custom IR update application for 2019 rates.

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

5 RETAIL TRANSMISSION SERVICE RATES

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

Toronto Hydro is transmission connected (i.e. not an embedded distributor), 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.

Table 5-1: UTRs¹²

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

Findings

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

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

¹² Decision and Rate Order, EB-2017-0359, February 1, 2018

6 GROUP 1 DEFERRAL AND VARIANCE ACCOUNT BALANCES

In a Custom IR update, the OEB will review a distributor's Group 1 deferral and variance accounts in order to determine whether their total balance should be disposed.¹³ OEB policy requires that Group 1 accounts be disposed if they exceed (as a debit or credit) a pre-set disposition threshold of \$0.0010 per kWh, unless a distributor justifies why balances should not be disposed.¹⁴ If the balance does not exceed the threshold, a distributor may elect to request disposition.

The 2017 actual year-end total balance for Toronto Hydro's Group 1 accounts including interest projected to December 31, 2018 is a credit of \$4,639,301. This amount represents a total credit claim of \$0.0002 per kWh, which does not exceed the disposition threshold. Toronto Hydro proposes the disposition of this credit amount over a one-year period.

Included in the balance of the Group 1 accounts is the Global Adjustment (GA) account debit balance of \$6,895,462. 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.¹⁵

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

¹³ 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.

¹⁴ Report of the OEB - "Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR)." EB-2008-0046, July 31, 2009

¹⁵ The GA is established monthly, by the IESO, and varies in accordance with market conditions. It is the difference between the market price and the sum of the rates paid to regulated and contracted generators and conservation and demand management (demand response) program costs.

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

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

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

Toronto Hydro proposes the disposition of its GA variance account debit balance of \$6,895,462 as at December 31, 2017, including interest to December 31, 2018, in accordance with Table 6-1.

Table 6-1 - Refund of GA Variance

Proposed Amounts	Proposed Method for Recovery
\$6,064,522 recovered from customers who were Class B for the entire period from January 2017 to December 2017	per kWh rate rider
\$821,193 recovered from customers formerly in Class B during the period January 2017 to June 2017 who were reclassified to Class A	12 equal installments ¹⁶
\$9,747 recovered from customers formerly in Class A during the period January 2017 to June 2017 who were reclassified to Class B	12 equal installments ¹⁷

Over the course of the OEB’s review of this application, Toronto Hydro identified and corrected a significant error in the balance that it had initially sought for disposition in Account 1589. The claim amount for Account 1589 has been reduced from a debit (recovery from ratepayers) of \$59,363,234 to a debit of \$6,895,462. Toronto Hydro explained that the error that gave rise to this adjustment pertained to a flaw in the data

¹⁶ EB-2018-0071, THESL_T03_S01_IRM Rate Generator Model_Updated_20181112, Tab 6. “Class A consumption data” and Tab 6.1a “GA Allocation”

¹⁷ Ibid.

extract that it used to prorate its monthly Global Adjustments charge from the IESO between its RPP and Non-RPP customers. In particular, this flaw was isolated to only the consumption data extracts used for the period July to December 2017 and therefore has no impact on balances recorded to Account 1589 prior to July 2017. The error however does impact the monthly RPP settlements it had performed with the IESO during this period and Toronto Hydro intends to work with the IESO to resolve this issue.¹⁸

The balance of the Group 1 accounts includes \$536,092 for the recovery of Capacity Based Recover (CBR) charges for Class B customers related to the IESO's wholesale energy market Demand Response 3 program. Distributors paid CBR charges to the IESO in 2017 and recorded these in 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 Model¹⁹ rounds to zero at the fourth decimal place in one or more rate classes.

Toronto Hydro had Class A customers during the period from January 2017 to December 2017 so it applied to have the balance of this account disposed through a separate kWh rate rider for Class B customers in order to ensure proper allocation between Class A and Class B customers.

As some customers were reclassified between Class A and Class B during the period from January 2017 to December 2017, Toronto Hydro requested recovery of a portion of CBR Class B costs by way of 12 equal installments in accordance with the table below.

Table 6-2 - Recovery of CBR Variance

Proposed Amounts	Proposed Method for Recovery
\$503,177 recovered from customers who were Class B for the entire period from January 2017 to December 2017	per kWh rate rider
\$32,529 recovered from customers formerly in Class B during the period January 2017 to June 2017 who were reclassified to Class	12 equal installments ²⁰

¹⁸ EB-2018-0071, Interrogatory Responses, November 21, 2018 (1-Staff-21e)

¹⁹ EB-2018-0071, THESL_T03_S01_IRM Rate Generator Model_Updated_20181112 Tab 6.2 "CBR B"

²⁰ EB-2018-0071, THESL_T03_S01_IRM Rate Generator Model_Updated_20181112, Tab 6. "Class A consumption data" and Tab 6.1a "CBR B_Allocation"

A	
\$386 recovered from customers formerly in Class A during the period January 2017 to June 2017 who were reclassified to Class B	12 equal installments ²¹

The remaining Group 1 accounts being sought for disposition, through the general Deferral and Variance Account rate rider, include the following flow through variance accounts: Low Voltage Charges, Smart Meter Entity Charges, Wholesale Market Service Charges, Retail Transmission Service Charges, and Commodity Power Charges. These Group 1 accounts have a total credit balance of \$12,070,855, which results in a refund to customers.

The balances proposed for disposition reconcile with the amounts reported as part of the OEB's *Electricity Reporting and Record-Keeping Requirements*.²² Toronto Hydro further submits that its proposal for a one-year disposition period is in accordance with the OEB's policy.²³

Earlier this year, the OEB suspended its approvals of Group 1 rate riders on a final basis. As stated in its letter to the sector dated July 20, 2018, the OEB will determine whether the riders will be approved on an interim basis or not approved at all (i.e. no disposition of account balances) on a case by case basis until further notice.²⁴

Findings

The OEB approves the disposition of a credit balance of \$4,639,301 as of December 31, 2017, including interest projected to December 31, 2018 for Group 1 accounts on an interim basis.

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

²¹ Ibid.

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

²³ Report of the OEB - "Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR)." EB-2008-0046, July 31, 2009

²⁴ OEB letter to all rate-regulated licensed electricity distributors – "Re: OEB's Plan to Standardize Processes to Improve Accuracy of Commodity Pass-Through Variance Accounts." July 20, 2018.

Table 6-3 - Group 1 Deferral and Variance Account Balances

Account Name	Account Number	Principal Balance (\$) A	Interest Balance (\$) B	Total Claim (\$) C=A+B
LV Variance Account	1550	394,328	9,276	403,604
Smart Meter Entity Variance Charge	1551	(113,182)	(19,076)	(132,258)
RSVA - Wholesale Market Service Charge	1580	(25,199,715)	(556,274)	(25,755,990)
Variance WMS - Sub-account CBR Class B	1580	524,230	11,862	536,092
RSVA - Retail Transmission Network Charge	1584	8,096,178	197,730	8,293,908
RSVA - Retail Transmission Connection Charge	1586	8,333,125	197,868	8,530,993
RSVA – Power	1588	(3,337,116)	(73,995)	(3,411,112)
RSVA - Global Adjustment	1589	6,554,024	341,438	6,895,462
Totals for all Group 1 accounts		(4,748,128)	108,827	(4,639,301)

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*.²⁵ The date of the transfer must be the same as the effective date for the associated rates, which is, generally, the start of the rate year. Toronto Hydro shall ensure these adjustments are included in the reporting period ending March 31, 2019 (Quarter 1).

The OEB is concerned with the magnitude of the error that was identified in Account 1589 and in particular, is concerned with the fact that this error was identified only as a result of the OEB's review of the account balances and not through Toronto Hydro's

²⁵ Accounting Procedures Handbook for Electricity Distributors, effective January 1, 2012

own internal control processes. While the OEB is satisfied that Toronto Hydro has made the appropriate corrections to Account 1589, the fact that such a significant error went undetected by Toronto Hydro until questioned in this rate application warrants further review. As a result, the OEB will refer this matter to the OEB's Audit & Investigations unit for consideration of Toronto Hydro's processes regarding RPP settlement claims and true-ups of claims with the IESO.

The OEB approves these balances to be disposed through interim rate riders and charges as calculated in the Rate Generator Model. The interim rate riders and charges, will be in effect over a one-year period from January 1, 2019 to December 31, 2019.²⁶

²⁶ EB-2018-0071, THESL_T03_S01_IRM Rate Generator Model_Updated_20181112 Tab 6.1 GA, Tab 6.1a "GA Allocation", Tab 6.2 "CBR B", Tab 6.2a "CBR B_Allocation" and Tab 7 "Calculation of Def-Var RR"

7 THE LOST REVENUE ADJUSTMENT MECHANISM VARIANCE ACCOUNT BALANCE

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

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

Toronto Hydro has applied to dispose its LRAMVA debit balance of \$12,334,963. The balance consists of lost revenues in 2017 from CDM programs delivered during the period of 2017 and carrying charges. Toronto Hydro revised its LRAMVA balance to reflect the most recently approved Q4 2018 interest rate. The update resulted in an increase of \$8,433 and a revised LRAMVA balance of \$12,343,396. The actual conservation savings claimed by Toronto Hydro were determined by the IESO.²⁹ Actual conservation savings were compared against Toronto Hydro's forecasted conservation savings of 55,893,405 kWh included in the load forecast, which was set out in Toronto Hydro's 2015 application.³⁰

Findings

The OEB finds that Toronto Hydro's LRAMVA balance has been calculated in accordance with the OEB's CDM-related guidelines and updated LRAMVA policy. The OEB approves the disposition of Toronto Hydro's LRAMVA debit balance of \$12,343,396, as set out in the following table. These balances are to be disposed

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

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

²⁹ The Ontario Power Authority was responsible for CDM program evaluation prior to 2015.

³⁰ EB-2014-0116

through rate riders as calculated in the Rate Generator Model. The rate riders will be in effect over a one-year period from January 1, 2019 to December 31, 2019.³¹

Table 7-1 - LRAMVA Balance for Disposition

Account Name	Account Number	Actual CDM Savings (\$) A	Forecasted CDM Savings (\$) B	Carrying Charges (\$) C	Total Claim (\$) D=(A-B)+C
LRAMVA	1568	\$15,389,044	\$3,340,829	\$295,181	\$12,343,396

³¹ EB-2018-0071, THESL_T03_S01_IRM Rate Generator Model_Updated_20181112 Tab 7 “Calculation of Def-Var RR”

8 RESIDENTIAL RATE DESIGN

All residential distribution rates currently include a fixed monthly charge and a variable usage charge. The OEB's residential rate design policy stipulates that distributors will transition residential customers to a fully fixed monthly distribution service charge over a four-year period, beginning in 2016.³² Distributors, such as Toronto Hydro, who are in a transition period that is greater than 4 years, are required to continue with this transition until the monthly service charge is fully fixed.

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

Toronto Hydro's implementation of the transition results in an increase to the fixed charge prior to the price cap adjustment of \$3.62. The bill impact arising from the proposals in this application, including the fixed rate change is 11.7% for low volume residential customers. To reduce the bill impact, Toronto Hydro considered transitioning one-third of the remaining variable rate in 2019 and two-thirds in 2020. This approach resulted in a total bill impact of 10.2%. Toronto Hydro also considered adding another year to the transition period but noted that this would mean that the average rate increase for Toronto Hydro's 10th percentile customers would decrease in the next rate period (2020-2024), while other residential customers in the class would actually experience an increase. In addition, Toronto Hydro noted that for 2019, the low volume customer impact would still be at slightly above 10%.³³

Findings

The OEB finds that no further mitigation is required. The total bill impact is not significantly over the 10% threshold and Toronto Hydro's approaches discussed in its application are insufficient to bring the impacts to below the 10% threshold in any event. The OEB finds that a further exploration of mitigation measures are not warranted as subsequent to the January 1, 2019 increase arising from this Decision, if the OEB adjusts the commodity costs in the same manner as was done for May 1, 2018 under

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

³³ EB-2018-0071, Interrogatory Responses, October 20, 2018 (1-Staff-5)

the Fair Hydro Plan, then customers' bills will be reduced effective May 1, 2019 to account for the next period's commodity adjustment.

9 IMPLEMENTATION AND ORDER

This Decision and Rate Order 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 Toronto Hydro's original Custom IR 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 Toronto Hydro 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 table.

Table 9-1 - Regulatory Charges

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

Each of these rates is a component of the "Regulatory Charge" on a customer's bill, established annually by the OEB through a separate, generic order. The RRRP, WMS, and CBR rates were set by the OEB on December 20, 2017.³⁴

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, 2018.³⁵

³⁴ Decision and Order, EB-2017-0333, December 20, 2017

³⁵ Decision and Order, EB-2017-0290, March 1, 2018.

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The Tariff of Rates and Charges set out in Schedule A of this Decision and Rate Order is approved effective January 1, 2019 for electricity consumed or estimated to have been consumed on and after such date. Toronto Hydro-Electric System Limited shall notify its customers of the rate changes no later than the delivery of the first bill reflecting the new rates.

DATED at Toronto, December 13, 2018

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

SCHEDULE A
TO DECISION AND RATE ORDER
TARIFF OF RATES AND CHARGES
EB-2018-0071
DECEMBER 13, 2018

Toronto Hydro-Electric System Limited

TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2019

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

EB-2018-0071

RESIDENTIAL SERVICE CLASSIFICATION

This classification is applicable to an account where electricity is used exclusively for residential purposes in a separately metered living accommodation, where the Competitive Sector Multi-Unit Residential classification is not applicable. Eligibility is restricted to a dwelling unit that consists of a detached house or one unit of a semi-detached, duplex, triplex or quadruplex building, with a residential zoning; a separately metered dwelling within a town house complex or apartment building; and bulk metered residential buildings with six or fewer units. Class B consumers are defined in accordance with O. Reg. 429/04. Further details concerning the terms of service 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	\$	37.48 (per 30 days)
Smart Metering Entity Charge - effective until December 31, 2022	\$	0.56 (per 30 days)
Rate Rider for Recovery of Stranded Meter Assets - effective until December 31, 2019	\$	0.28 (per 30 days)
Rate Rider for Recovery of the Gain on the Sale of Named Properties - effective until December 31, 2019	\$	0.10 (per 30 days)
Rate Rider for Recovery of Hydro One Capital Contributions Variance - effective until December 31, 2019	\$	0.03 (per 30 days)
Rate Rider for Application of IFRS - 2014 Derecognition - effective until December 31, 2019	\$	0.46 (per 30 days)
Rate Rider for Recovery of 2015 Foregone Revenue - effective until December 31, 2019	\$	0.88 (per 30 days)
Rate Rider for Recovery of 2016 Foregone Revenue - effective until December 31, 2019	\$	0.28 (per 30 days)
Distribution Volumetric Rate	\$/kWh	0.00553
Rate Rider for Disposition of Global Adjustment Account (2019) - effective until December 31, 2019 (Applicable only for Non-RPP Customers) - Approved on an Interim Basis	\$/kWh	0.00068
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2019) - effective until December 31, 2019	\$/kWh	0.00095
Rate Rider for Disposition of Deferral/Variance Accounts (2019) - effective until December 31, 2019 - Approved on an Interim Basis	\$/kWh	(0.00052)
Rate Rider for Disposition of Capacity Based Recovery Account (2019) - effective until December 31, 2019 (Applicable only for Class B Customers) - Approved on an Interim Basis	\$/kWh	0.00003
Retail Transmission Rate - Network Service Rate	\$/kWh	0.00796
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.00703

Toronto Hydro-Electric System Limited

TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2019

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

EB-2018-0071

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	(per 30 days)

Toronto Hydro-Electric System Limited

TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2019

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EB-2018-0071

COMPETITIVE SECTOR MULTI-UNIT RESIDENTIAL SERVICE

This classification is applicable to an account where electricity is used exclusively for residential purposes in a multi-unit residential building, where unit metering is provided using technology that is substantially similar to that employed by competitive sector sub-metering providers. Use of electricity in non-residential units of multi-unit buildings does not qualify for this classification and will instead be subject to the applicable commercial classification. Class B consumers are defined in accordance with O. Reg. 429/04. Further details concerning the terms of service 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	\$	30.58 (per 30 days)
Smart Metering Entity Charge - effective until December 31, 2022	\$	0.56 (per 30 days)
Rate Rider for Recovery of the Gain on the Sale of Named Properties - effective until December 31, 2019	\$	0.04 (per 30 days)
Rate Rider for Recovery of Hydro One Capital Contributions Variance - effective until December 31, 2019	\$	0.01 (per 30 days)
Rate Rider for Application of IFRS - 2014 Derecognition - effective until December 31, 2019	\$	0.18 (per 30 days)
Rate Rider for Recovery of 2015 Foregone Revenue - effective until December 31, 2019	\$	0.19 (per 30 days)
Rate Rider for Recovery of 2016 Foregone Revenue - effective until December 31, 2019	\$	0.09 (per 30 days)
Distribution Volumetric Rate	\$/kWh	0.00846
Rate Rider for Disposition of Global Adjustment Account (2019) - effective until December 31, 2019 (Applicable only for Non-RPP Customers) - Approved on an Interim Basis	\$/kWh	0.00068
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2019) - effective until December 31, 2019	\$/kWh	0.00126
Rate Rider for Disposition of Deferral/Variance Accounts (2019) - effective until December 31, 2019 - Approved on an Interim Basis	\$/kWh	(0.00054)
Rate Rider for Disposition of Capacity Based Recovery Account (2019) - effective until December 31, 2019 (Applicable only for Class B Customers) - Approved on an Interim Basis	\$/kWh	0.00003
Retail Transmission Rate - Network Service Rate	\$/kWh	0.00796
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.00703

Toronto Hydro-Electric System Limited

TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2019

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

EB-2018-0071

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 (per 30 days)

Toronto Hydro-Electric System Limited

TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2019

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

EB-2018-0071

GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION

This classification refers to a non-residential account 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.

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	\$	35.80	(per 30 days)
Smart Metering Entity Charge - effective until December 31, 2022	\$	0.56	(per 30 days)
Rate Rider for Recovery of Stranded Meter Assets - effective until December 31, 2019	\$	1.55	(per 30 days)
Rate Rider for Recovery of 2015 Foregone Revenue - effective until December 31, 2019	\$	0.79	(per 30 days)
Rate Rider for Recovery of 2016 Foregone Revenue - effective until December 31, 2019	\$	0.25	(per 30 days)
Distribution Volumetric Rate	\$/kWh	0.03312	
Rate Rider for Disposition of Global Adjustment Account (2019) - effective until December 31, 2019 (Applicable only for Non-RPP Customers) - Approved on an Interim Basis	\$/kWh	0.00068	
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2019) - effective until December 31, 2019	\$/kWh	0.00020	
Rate Rider for Disposition of Deferral/Variance Accounts (2019) - effective until December 31, 2019 - Approved on an Interim Basis	\$/kWh	(0.00050)	
Rate Rider for Disposition of Capacity Based Recovery Account (2019) - effective until December 31, 2019 (Applicable only for Class B Customers) - Approved on an Interim Basis	\$/kWh	0.00003	
Rate Rider for Recovery of the Gain on the Sale of Named Properties - effective until December 31, 2019	\$/kWh	0.00013	
Rate Rider for Recovery of Hydro One Capital Contributions Variance - effective until December 31, 2019	\$/kWh	0.00003	
Rate Rider for Application of IFRS - 2014 Derecognition - effective until December 31, 2019	\$/kWh	0.00049	
Rate Rider for Recovery of 2015 Foregone Revenue - effective until December 31, 2019	\$/kWh	0.00076	
Rate Rider for Recovery of 2016 Foregone Revenue - effective until December 31, 2019	\$/kWh	0.00024	
Retail Transmission Rate - Network Service Rate	\$/kWh	0.00775	
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.00629	

Toronto Hydro-Electric System Limited

TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2019

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

EB-2018-0071

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	(per 30 days)

Toronto Hydro-Electric System Limited

TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2019

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

EB-2018-0071

GENERAL SERVICE 50 TO 999 KW SERVICE CLASSIFICATION

This classification refers to a non-residential account whose monthly average peak demand is equal to or greater than 50 kW but less than 1,000 kW, or is forecast to be equal to or greater than 50 kW but less than 1,000 kW. This rate also applies to bulk metered residential apartment buildings or the house service of a residential apartment building with more than 6 units. 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 Post 2011 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.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	51.50	(per 30 days)
Rate Rider for Recovery of Stranded Meter Assets - effective until December 31, 2019	\$	4.64	(per 30 days)
Rate Rider for Recovery of 2015 Foregone Revenue - effective until December 31, 2019	\$	1.01	(per 30 days)
Rate Rider for Recovery of 2016 Foregone Revenue - effective until December 31, 2019	\$	0.30	(per 30 days)
Distribution Volumetric Rate	\$/kVA	8.1052	(per 30 days)
Rate Rider for Disposition of Global Adjustment Account (2019) - effective until December 31, 2019 (Applicable only for Non-RPP Customers) - Approved on an Interim Basis	\$/kWh	0.00068	

Toronto Hydro-Electric System Limited

TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2019

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

EB-2018-0071

Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2019) - effective until December 31, 2019	\$/kVA	0.1948 (per 30 days)
Rate Rider for Disposition of Deferral/Variance Accounts (2019) - effective until December 31, 2019 (Applicable only for Non-Wholesale Market Participants) - Approved on an Interim Basis	\$/kVA	(0.4734) (per 30 days)
Rate Rider for Disposition of Deferral/Variance Accounts (2019) - effective until December 31, 2019 - Approved on an Interim Basis	\$/kVA	0.2813 (per 30 days)
Rate Rider for Disposition of Capacity Based Recovery Account (2019) - effective until December 31, 2019 (Applicable only for Class B Customers) - Approved on an Interim Basis	\$/kVA	0.0105 (per 30 days)
Rate Rider for Recovery of the Gain on the Sale of Named Properties - effective until December 31, 2019	\$/kVA	0.0114 (per 30 days)
Rate Rider for Recovery of Hydro One Capital Contributions Variance - effective until December 31, 2019	\$/kVA	0.0047 (per 30 days)
Rate Rider for Application of IFRS - 2014 Derecognition - effective until December 31, 2019	\$/kVA	0.0781 (per 30 days)
Rate Rider for Recovery of 2015 Foregone Revenue - effective until December 31, 2019	\$/kVA	0.1659 (per 30 days)
Rate Rider for Recovery of 2016 Foregone Revenue - effective until December 31, 2019	\$/kVA	0.0498 (per 30 days)
Retail Transmission Rate - Network Service Rate	\$/kW	2.6576 (per 30 days)
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	2.3054 (per 30 days)

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 (per 30 days)

Toronto Hydro-Electric System Limited

TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2019

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

EB-2018-0071

GENERAL SERVICE 1,000 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 1,000 kW but less than 5,000 kW, or is forecast to be equal to or greater than 1,000 kW but less than 5,000 kW. This rate also applies to bulk metered residential apartment buildings or the house service of a residential apartment building with more than 6 units. 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 Post 2011 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.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	983.72	(per 30 days)
Rate Rider for Recovery of 2015 Foregone Revenue - effective until December 31, 2019	\$	18.89	(per 30 days)
Rate Rider for Recovery of 2016 Foregone Revenue - effective until December 31, 2019	\$	5.48	(per 30 days)
Distribution Volumetric Rate	\$/kVA	6.3766	(per 30 days)
Rate Rider for Disposition of Global Adjustment Account (2019) - effective until December 31, 2019 (Applicable only for Non-RPP Customers) - Approved on an Interim Basis	\$/kWh	0.00068	

Toronto Hydro-Electric System Limited

TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2019

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

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Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2019) - effective until December 31, 2019	\$/kVA	0.1251 (per 30 days)
Rate Rider for Disposition of Deferral/Variance Accounts (2019) - effective until December 31, 2019 - Approved on an Interim Basis	\$/kVA	(0.2186) (per 30 days)
Rate Rider for Disposition of Capacity Based Recovery Account (2019) - effective until December 31, 2019 (Applicable only for Class B Customers) - Approved on an Interim Basis	\$/kVA	0.0114 (per 30 days)
Rate Rider for Recovery of the Gain on the Sale of Named Properties - effective until December 31, 2019	\$/kVA	0.0056 (per 30 days)
Rate Rider for Recovery of Hydro One Capital Contributions Variance - effective until December 31, 2019	\$/kVA	0.0038 (per 30 days)
Rate Rider for Application of IFRS - 2014 Derecognition - effective until December 31, 2019	\$/kVA	0.0627 (per 30 days)
Rate Rider for Recovery of 2015 Foregone Revenue - effective until December 31, 2019	\$/kVA	0.1226 (per 30 days)
Rate Rider for Recovery of 2016 Foregone Revenue - effective until December 31, 2019	\$/kVA	0.0356 (per 30 days)
Retail Transmission Rate - Network Service Rate	\$/kW	2.5677 (per 30 days)
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	2.3030 (per 30 days)

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 (per 30 days)

Toronto Hydro-Electric System Limited

TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2019

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

EB-2018-0071

LARGE USE SERVICE CLASSIFICATION

This classification applies to an account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 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 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 Post 2011 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.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	4,342.23	(per 30 days)
Rate Rider for Recovery of 2015 Foregone Revenue - effective until December 31, 2019	\$	85.84	(per 30 days)
Rate Rider for Recovery of 2016 Foregone Revenue - effective until December 31, 2019	\$	25.18	(per 30 days)
Distribution Volumetric Rate	\$/kVA	6.8407	(per 30 days)
Rate Rider for Disposition of Global Adjustment Account (2019) - effective until December 31, 2019 (Applicable only for Non-RPP Customers) - Approved on an Interim Basis	\$/kWh	0.00068	
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2019) - effective until December 31, 2019	\$/kVA	0.2282	(per 30 days)

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TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2019

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

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Rate Rider for Disposition of Deferral/Variance Accounts (2019) - effective until December 31, 2019 (Applicable only for Non-Wholesale Market Participants) - Approved on an Interim Basis	\$/kVA	(0.5628)	(per 30 days)
Rate Rider for Disposition of Deferral/Variance Accounts (2019) - effective until December 31, 2019 - Approved on an Interim Basis	\$/kVA	0.3397	(per 30 days)
Rate Rider for Disposition of Capacity Based Recovery Account (2019) - effective until December 31, 2019 (Applicable only for Class B Customers) - Approved on an Interim Basis	\$/kVA	0.0095	(per 30 days)
Rate Rider for Recovery of the Gain on the Sale of Named Properties - effective until December 31, 2019	\$/kVA	0.0044	(per 30 days)
Rate Rider for Recovery of Hydro One Capital Contributions Variance - effective until December 31, 2019	\$/kVA	0.0039	(per 30 days)
Rate Rider for Application of IFRS - 2014 Derecognition - effective until December 31, 2019	\$/kVA	0.0648	(per 30 days)
Rate Rider for Recovery of 2015 Foregone Revenue - effective until December 31, 2019	\$/kVA	0.1382	(per 30 days)
Rate Rider for Recovery of 2016 Foregone Revenue - effective until December 31, 2019	\$/kVA	0.0406	(per 30 days)
Retail Transmission Rate - Network Service Rate	\$/kW	2.9271	(per 30 days)
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	2.5587	(per 30 days)

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	(per 30 days)

Toronto Hydro-Electric System Limited

TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2019

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

EB-2018-0071

STANDBY POWER SERVICE CLASSIFICATION

This classification refers to an account that has Load Displacement Generation and requires THESL to provide back-up service. 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.

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MONTHLY RATES AND CHARGES - Delivery Component - APPROVED ON AN INTERIM BASIS

Standby Charge - for a month where standby power is not provided. The charge is applied to the contracted amount (e.g. nameplate rating of generation facility).

Service Charge	\$	246.50	(per 30 days)
Distribution Volumetric Rate			
For General Service 50 - 999 kW Service Classification	\$/kVA	8.1052	(per 30 days)
For General Service 1,000 - 4,999 kW Service Classification	\$/kVA	6.3766	(per 30 days)
For Large Use Service Classification	\$/kVA	6.8407	(per 30 days)

Toronto Hydro-Electric System Limited

TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2019

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

EB-2018-0071

UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION

This classification applies to an account taking electricity at 750 volts or less whose average monthly maximum demand at each location is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The level of the consumption will be agreed to by THESL 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	\$	7.14 (per 30 days)
Connection Charge (per connection)	\$	0.74 (per 30 days)
Rate Rider for Recovery of 2015 Foregone Revenue - effective until December 31, 2019	\$	0.16 (per 30 days)
Rate Rider for Recovery of 2015 Foregone Revenue (per connection) - effective until December 31, 2019	\$	0.02 (per 30 days)
Rate Rider for Recovery of 2016 Foregone Revenue - effective until December 31, 2019	\$	0.05 (per 30 days)
Rate Rider for Recovery of 2016 Foregone Revenue (per connection) - effective until December 31, 2019	\$	0.01 (per 30 days)
Distribution Volumetric Rate	\$/kWh	0.08971
Rate Rider for Disposition of Global Adjustment Account (2019) - effective until December 31, 2019 (Applicable only for Non-RPP Customers) - Approved on an Interim Basis	\$/kWh	0.00068
Rate Rider for Disposition of Deferral/Variance Accounts (2019) - effective until December 31, 2019 - Approved on an Interim Basis	\$/kWh	(0.00049)
Rate Rider for Disposition of Capacity Based Recovery Account (2019) - effective until December 31, 2019 (Applicable only for Class B Customers) - Approved on an Interim Basis	\$/kWh	0.00003
Rate Rider for Recovery of the Gain on the Sale of Named Properties - effective until December 31, 2019	\$/kWh	0.00029
Rate Rider for Recovery of Hydro One Capital Contributions Variance - effective until December 31, 2019	\$/kWh	0.00006
Rate Rider for Application of IFRS - 2014 Derecognition - effective until December 31, 2019	\$/kWh	0.00092
Rate Rider for Recovery of 2015 Foregone Revenue - effective until December 31, 2019	\$/kWh	0.00203
Rate Rider for Recovery of 2016 Foregone Revenue - effective until December 31, 2019	\$/kWh	0.00062

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TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2019

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

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Retail Transmission Rate - Network Service Rate	\$/kWh	0.00482
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.00444

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 (per 30 days)

Toronto Hydro-Electric System Limited

TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2019

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EB-2018-0071

STREET LIGHTING SERVICE CLASSIFICATION

This classification applies to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of Transportation and private roadway lighting, controlled by photo cells. The consumption for these customers will be based on the calculated connected load times the required lighting times established in the approved OEB street lighting load shape template. 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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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 device)	\$	1.61	(per 30 days)
Distribution Volumetric Rate	\$/kVA	35.7759	(per 30 days)
Rate Rider for Disposition of Global Adjustment Account (2019) - effective until December 31, 2019 (Applicable only for Non-RPP Customers) - Approved on an Interim Basis	\$/kWh	0.00068	
Rate Rider for Disposition of Deferral/Variance Accounts (2019) - effective until December 31, 2019 - Approved on an Interim Basis	\$/kVA	(0.1687)	(per 30 days)
Rate Rider for Disposition of Capacity Based Recovery Account (2019) - effective until December 31, 2019 (Applicable only for Class B Customers) - Approved on an Interim Basis	\$/kVA	0.0092	(per 30 days)
Rate Rider for Recovery of the Gain on the Sale of Named Properties - effective until December 31, 2019	\$/kVA	0.0741	(per 30 days)
Rate Rider for Recovery of Hydro One Capital Contributions Variance - effective until December 31, 2019	\$/kVA	0.0312	(per 30 days)
Rate Rider for Application of IFRS - 2014 Derecognition - effective until December 31, 2019	\$/kVA	0.5133	(per 30 days)
Rate Rider for Recovery of 2016 Foregone Revenue - effective until December 31, 2019	\$/kVA	0.0478	(per 30 days)
Retail Transmission Rate - Network Service Rate	\$/kW	2.3638	(per 30 days)
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	2.7488	(per 30 days)

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	(per 30 days)

Toronto Hydro-Electric System Limited

TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2019

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EB-2018-0071

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 utility'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	\$	5.33 (per 30 days)
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ALLOWANCES

Transformer Allowance for Ownership	\$/kVA	(0.62) (per 30 days)
Primary Metering Allowance for Transformer Losses - applied to measured demand & energy	%	(1.00)

Toronto Hydro-Electric System Limited

TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2019

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SPECIFIC SERVICE CHARGES

APPLICATION

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

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

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Customer Administration

Account history	\$	25.00
Duplicate invoices for previous billing	\$	25.00
Request for other billing or system information	\$	25.00
Easement letter	\$	25.00
Income tax letter	\$	25.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	35.00
Returned cheque (plus bank charges)	\$	25.00
Special meter reads	\$	55.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	55.00

Non-Payment of Account

Late payment - per month	%	1.50
Late payment - per annum	%	19.56
Collection of account charge - no disconnection	\$	55.00
Disconnect/reconnect at meter - during regular hours	\$	120.00
Disconnect/reconnect at meter - after regular hours	\$	400.00
Disconnect/reconnect at pole - during regular hours	\$	300.00
Disconnect/reconnect at pole - after regular hours	\$	820.00
Install/remove load control device - during regular hours	\$	120.00
Install/remove load control device - after regular hours	\$	400.00

Other

Service call - customer owned equipment	\$	55.00
Disconnect/reconnect at meter - during regular hours	\$	120.00
Disconnect/reconnect at meter - after regular hours	\$	400.00
Disconnect/reconnect at pole - during regular hours	\$	300.00
Disconnect/reconnect at pole - after regular hours	\$	820.00
Temporary service install & remove - overhead - no transformer	\$	2,040.00
Specific charge for access to the power poles (wireline attachments) - per pole/year	\$	42.00

Toronto Hydro-Electric System Limited

TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2019

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RETAIL SERVICE CHARGES (if applicable)

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the 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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Retail Service Charges refer to services provided by THESL to retailers or customers related to the supply of competitive electricity and are defined in the 2006 Electricity Distribution Rate Handbook.

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	1.0376
Total Loss Factor - Secondary Metered Customer > 5,000 kW	1.0187
Total Loss Factor - Primary Metered Customer < 5,000 kW	1.0272
Total Loss Factor - Primary Metered Customer > 5,000 kW	1.0085