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Ontario

DECISION AND RATE ORDER

EB-2018-0039

HYDRO 2000 INC.

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

By Delegation, Before: Theodore Antonopoulos

[date]

1 INTRODUCTION AND SUMMARY

Through this Decision and Order, the Ontario Energy Board (OEB) approves the incentive rate-setting mechanism (IRM) application filed by Hydro 2000 Inc. (Hydro 2000) on January 22, 2019, as amended during the course of the proceeding.

Hydro 2000 serves about 1,200 mostly residential and commercial electricity customers in the Township of Alfred and Plantagenet. 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](#) (the Filing Requirements).

Hydro 2000'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 (COS) 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 \$5.23 for a residential customer consuming 750 kWh, effective May 1, 2019.

Hydro 2000 has also applied to change the composition of its distribution service rates. Residential distribution service rates currently include a fixed monthly charge and a variable usage charge. In 2015, the OEB issued a policy to transition these rates to a fully fixed structure over a four-year period beginning in 2016.¹ Accordingly, the fixed monthly charge for 2019 has once again been adjusted upward in this Decision by more than the mechanistic adjustment alone. The variable usage rate is commensurately lower. This policy change does not affect the total revenue that distributors collect from residential customers.

¹ 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.

According to the Price Cap IR methodology, Hydro 2000 was required to file a COS application for the 2018 rate year. Hydro 2000 did not file the 2018 COS application with the OEB, nor did it file a request to defer its COS application to 2019. There was no rate application filed by Hydro 2000 for the 2018 rate year.

On January 22, 2019, Hydro 2000 filed an IRM rate application for the 2019 rate year. In response to OEB staff questions, on February 27, 2019, Hydro 2000 filed a request for deferral of its 2018 COS application. On May 13, 2019, the OEB issued a letter to Hydro 2000 granting its request to defer its COS rebasing of rates beyond the 2019 rate year. Therein, the OEB stated that it expects Hydro 2000 to file a rebasing application for 2020 rates and that Hydro 2000 will not be granted further deferral requests.

Hydro 2000 supported its current IRM application with written evidence and a completed Rate Generator Model. Questions were asked of, and answers were provided by, Hydro 2000 through emails and phone calls with the OEB. Based on this information, a draft decision was prepared and provided to Hydro 2000 on **May 24, 2019**. Hydro 2000 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 Hydro 2000's proposals relating to each of them:

- Price Cap Adjustment

- Shared Tax Adjustments
- Retail Transmission Service Rates
- Group 1 Deferral and Variance Accounts
- Lost Revenue Adjustment Mechanism Variance Account Balance
- 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 charges² 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

Hydro 2000 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 Hydro 2000 are set out in Table 4.1 below. Inserting these components into the formula results in a 1.35% increase to Hydro 2000's rates: $1.35\% = 1.50\% - (0.00\% + 0.15\%)$.

Table 4.1: Price Cap IR Adjustment Formula

Components		Amount
Inflation Factor ³		1.50%
X-Factor	Productivity ⁴	0.00%
	Stretch (0.00% – 0.60%) ⁵	0.15%

² 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.

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

⁴ 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.

⁵ 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 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.

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 Hydro 2000 is 0.15%.

Findings

The OEB finds that Hydro 2000's request for a 1.35% rate adjustment is in accordance with the annually updated parameters set by the OEB. The adjustment is approved, and Hydro 2000's new rates shall be effective May 1, 2019.

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

⁶ 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.

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 COS proceeding.

The application identifies a total tax change of \$41, resulting in a shared amount of \$21 to be distributed to rate payers. Since the allocated tax sharing amount does not produce a rate rider in one or more rate classes, the Rate Generator Model does not compute rate riders and distributors are therefore required to transfer the entire OEB-approved tax sharing amount into Account 1595 for disposition at a later date.

Findings

The allocated tax sharing credit amount of \$21 does not produce a rate rider in one or more rate classes. The OEB therefore directs Hydro 2000 to record the OEB-approved tax sharing credit amount of \$21 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.

Hydro 2000 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-RTSRs⁷

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

Findings

Hydro 2000'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.

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.⁸ 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.⁹ If the balance does not exceed the threshold, a distributor may elect to request disposition.

The 2017 actual year-end total balance for Hydro 2000's Group 1 accounts including interest projected to April 30, 2019 is a debit of \$297,181. This amount represents a total debit claim of \$0.0143 per kWh, which exceeds the disposition threshold. Hydro 2000 proposes the disposition of this debit amount over a period of four years in order

⁷ Decision and Order, EB-2016-0081, December 21, 2016

⁸ 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.

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

to mitigate bill impacts. In response to OEB staff questions,¹⁰ Hydro 2000 noted that the total balance of the Group 1 deferral and variance accounts that it sought for disposition is large and a disposition period that is shorter than four years would result in bill impacts in excess of 10%. More specifically, the response confirmed that a three-year disposition option would result in 10.67% total bill impact for customers in the General Service 50 to 4,999 kW rate class, with the bill impacts for the other rate classes being below 10%. Based on the four-year disposition option as proposed in the application, the bill impacts of all rate classes would be below 10%.

Costs for the commodity portion of a distributor's 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 Global Adjustment (GA).¹¹

Hydro 2000 has purposely left out balances in Accounts 1588 and 1589 from its proposed Group 1 disposition. Hydro 2000 submits that this is because the OEB is in the process of conducting the audit of Hydro 2000's balances in Accounts 1588 and 1589.

By way of background, in the Decision and Rate Order issued in Hydro 2000's 2017 IRM rate proceeding, Hydro 2000 could not explain a significant discrepancy in Account 1589 GA. Also, in that decision,¹² the OEB considered that the credit balance of Hydro 2000's Account 1588 Power was high in light of the size of the utility's customer base. As a result, the OEB stated that it would conduct an audit of balances in Hydro 2000's Account 1588 RSVA Power and Account 1589 RSVA GA for the period following when balances were last disposed.

The balance of the Group 1 accounts includes 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 2015 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 rounds to zero at the fourth decimal place in one or more rate classes.

¹⁰ Hydro 2000's responses to OEB staff question 7 and follow-up question 3, dated February 27, 2019 and March 18, 2019

¹¹ 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.

¹² Decision and Rate Order, EB-2016-0078, March 30, 2017

Hydro 2000 had no Class A customers during the period from January 2015 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.

Account 1595 (2016)

As required by the Filing Requirements, Hydro 2000 filed the Account 1595 Analysis Workform with its current application. Upon review of the Account 1595 Analysis Workform, OEB staff noted that the residual balance in Account 1595 (2016) exceeds 50% of the amount previously approved for disposition,¹³ thus the current debit residual balance of \$30,277 (balance as of December 31, 2017, including interest projected to April 30, 2019) is considered material. In response to OEB staff questions,¹⁴ Hydro 2000 provided further analysis and explanations for the significant residual balances attributable to the Group 1 Deferral and Variance Account rate rider and the GA rate rider. In the analysis and explanations, Hydro 2000 noted that the following two mistakes occurred in its 2016 IRM proceeding¹⁵ and the subsequent rate implementation.

- In the Decision and Rate Order issued for Hydro 2000's 2016 rates,¹⁶ the OEB approved a debit disposition amount of \$28,009 as part of the total Group 1 amounts. However, in the final Rate Generator Model, due to a mistake in filing the 1595 Recovery Share Proportion data in tab 4, a debit amount of only \$119 was allocated in the calculation of the rate riders for disposition of deferral and variance accounts. The difference of \$27,890 was never allocated to the rate riders for purposes of implementation and remained in account 1595.
- There was a change with the general manager position at the beginning of May 2016. The incoming general manager was new in the electricity distribution sector. The general manager did not notice that the 2016 rate riders for deferral and variance accounts were not included in Hydro 2000's bills. The riders were charged to customer bills a few months after the OEB-approved implementation date, May 1, 2016. Instead of starting in May 2016, Hydro 2000 started to apply the rate riders in August 2016. The shortfall in disposition amounts are retained in the variance account.

¹³ 1595 Analysis Workform, Tab 1595 2016

¹⁴ Hydro 2000's responses to OEB staff question 8 and follow-up question 4, dated February 27, 2019 and March 18, 2019

¹⁵ EB-2015-0076

¹⁶ Decision and Rate Order, EB-2015-0076, March 17, 2016

Hydro 2000 also provided analysis to quantify the dollar impacts of the two mistakes identified on the current residual balance in Account 1595 (2016).¹⁷ The analysis shows that the two mistakes resulted in a total under-recovery of \$31,346,¹⁸ which is close to the current residual balance in Account 1595 (2016). Thus, the two mistakes noted are considered as the main reasons for the material residual balance in Account 1595 (2016) that Hydro 2000 seeks approval for disposition in the current proceeding.

As part of its responses to OEB staff follow-up questions,¹⁹ Hydro 2000 provided its process of implementing new rates every year (including implementation in billing system, testing and verification processes). Hydro 2000 noted that it will follow the process to ensure that the OEB-approved rates and rate riders are implemented on time.

The 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 Account 1595 residual balances. These Group 1 accounts have a total debit balance of \$297,181, which results in a charge to customers.

The balances proposed for disposition reconcile with the amounts reported as part of the OEB's *Electricity Reporting and Record-Keeping Requirements*.²⁰ Hydro 2000 further requests a four-year disposition period in order to bring the bill impacts to below 10% for all rate classes.

Last 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.²¹

Findings

The OEB approves the disposition of a debit balance of \$297,181 as of December 31, 2017, including interest projected to April 30, 2019 for Group 1 accounts on an interim basis.

¹⁷ Excel document "H2000 Response to Question 3b 20190227" filed as part of Hydro 2000's responses to OEB staff questions, February 27, 2019

¹⁸ Within the total under-recovery amount, a debit of \$36,600 was related to the 2016 Group 1 DVA rate rider, and a credit of \$5,254 was related to the 2016 GA rate rider.

¹⁹ Email from Hydro 2000 to OEB staff, March 22, 2019

²⁰ Electricity Reporting and Record Keeping Requirements, Version dated May 3, 2016

²¹ 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

This amount excludes balances in Account 1588 Power and Account 1589 GA. The OEB is currently conducting an inspection on Hydro 2000's balances in Accounts 1588 and 1589. Once the OEB inspection is completed, Hydro 2000 shall apply for disposition of its Accounts 1588 and 1589 based on the results of the inspection in its next rate application.

The OEB accepts Hydro 2000's analysis and explanations provided to substantiate the residual balance in Account 1595 (2016) for purposes of disposition. The OEB approves Hydro 2000 to recover the residual balance through the 2019 Group 1 Deferral and Variance Account rate riders on an interim basis.

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

Table 7.1: 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	188,492	8,602	197,093
Smart Meter Entity Variance Charge	1551	(1,463)	(43)	(1,506)
RSVA - Wholesale Market Service Charge	1580	10,663	311	10,974
RSVA - Retail Transmission Network Charge	1584	27,720	1,271	28,991
RSVA - Retail Transmission Connection Charge	1586	30,472	1,351	31,824
Disposition and Recovery of Regulatory Balances (2015)	1595	(2,038)	1,566	(471)
Disposition and Recovery of Regulatory Balances (2016)	1595	(59,327)	89,603	30,277
Totals for all Group 1 accounts		194,519	102,662	297,181

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.*²² 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. Hydro 2000 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. The interim rate riders will be in effect over a four-year period from May 1, 2019 to April 30, 2023.²³ The OEB finds that this extended disposition period will effectively mitigate the bill impacts for Hydro 2000's customers. The OEB expects Hydro 2000 to provide a detailed analysis, with options, of any further mitigation that may be required for the disposition of its deferral and variance account balances as part of its 2020 COS application, once it has finalized the balances that are impacted by the current OEB audit.

8 LOST REVENUE ADJUSTMENT MECHANISM VARIANCE ACCOUNT BALANCE

Distributors have had an OEB licence requirement to ensure conservation and demand management (CDM) programs are available to their customers. These programs result in reduced total energy consumption. To address the impact of the reduced consumption, the OEB established a Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) to capture a distributor's revenue implications resulting from differences between actual load and the last OEB-approved load forecast.²⁴ These differences are recorded by distributors at the rate class level.

A distributor may apply for the disposition of the balance in the LRAMVA on an annual basis, as part of its IRM application, if the balance is deemed significant by the distributor. A request for the inclusion of lost revenues from demand response programs, as part of the LRAMVA, must be addressed through a COS application.²⁵

In this proceeding, Hydro 2000 reports an LRAMVA debit balance of \$20,411²⁶ as of December 31, 2017 with carrying charges projected to April 30, 2019. Hydro 2000's

²² Accounting Procedures Handbook for Electricity Distributors, effective January 1, 2012

²³ 2019 IRM Rate Generator Model Tab 7 Calculation of Def-Var RR

²⁴ 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

²⁵ 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

²⁶ This is a revised balance from its original application of a debit of \$16,872. The LRAMVA balance was revised by Hydro 2000 in response to OEB staff's follow-up question-6 b) dated March 18, 2019.

LRAMVA balance consists of lost revenues from 2011 to 2017 CDM programs delivered during this period. Actual conservation savings were compared against forecasted conservation savings of 255,525 kWh included in Hydro 2000's 2012 load forecast, set out in its 2012 COS application.²⁷

Hydro 2000 states that its LRAMVA balance is significant, but did not apply to dispose of the balance in the LRAMVA in this proceeding. Hydro 2000 requests to defer the disposition of the LRAMVA until its 2020 COS application, in order to mitigate further rate impact from the disposition of Group 1 deferral and variance accounts which is a large debit balance of \$297,181.²⁸ As discussed in section seven of this Decision, Hydro 2000 has proposed to dispose of its Group 1 deferral and variance account balance of \$297,181 over the next four years.

Findings

Hydro 2000 has not applied for disposition of the LRAMVA balance as at December 31, 2017. The OEB finds that the amount disclosed for this 2011-2017 period is consistent with the reports supporting the period and the OEB has no concerns with the revised amount. The OEB expects to examine claims for any years subsequent to the 2011-2017 period in Hydro 2000's COS application for 2020 rates prior to disposing amounts for either the 2011-2017 period or subsequent years.

9 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 2016.²⁹ Distributors, such as Hydro 2000, who are in a transition period that is greater than four 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

²⁷ Decision and Order, EB-2011-0326, July 5, 2012

²⁸ EB-2018-0039, Section 11 of Application, page 25

²⁹ As outlined in the Policy cited at footnote 1 above.

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.

Hydro 2000 notes that the implementation of the transition results in an increase to the fixed charge prior to the price cap adjustment of \$3.47. The bill impacts arising from the proposals in this application, including the fixed rate change, are below 10% for low volume residential customers.

Findings

The OEB finds that the 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.

Hydro 2000 was approved a five-year transition period. The OEB notes that Hydro 2000 did not implement year three of the five-year transition period given that it did not file a rate application for 2018 rates. The transition being implemented as part of this current proceeding is therefore year three of the transition period, with two years remaining. The OEB expects Hydro 2000 to examine, as part of its COS application for 2020 rates, whether it can complete the transition with 2020 rates. If Hydro 2000 determines that it will not be able to do so, then the OEB expects Hydro 2000 to complete the transition with 2021 rates subject to the outcomes of the COS proceeding.

10 IMPLEMENTATION AND ORDER

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

Model entries were reviewed in order to ensure that they are in accordance with Hydro 2000's last COS decision, and to ensure that the 2017 OEB-approved Tariff of Rates and Charges, as well as the cost, revenue and consumption results from 2017, are as reported by Hydro 2000 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 10.1: Regulatory Charges

Rate	per kWh
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, 2018.³⁰

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, 2018.³¹

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 May 1, 2019 for electricity consumed or estimated to have been consumed on and after such date. Hydro 2000 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, [date]

ONTARIO ENERGY BOARD

Kirsten Walli
Board Secretary

³⁰ Decision and Order, EB-2018-0294, December 20, 2018

³¹ 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-2018-0039

DATED: May XX, 2019

Hydro 2000 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-2018-0039

RESIDENTIAL SERVICE CLASSIFICATION

This classification refers to an account taking electricity at 750 volts or less where the electricity is used exclusively by residential customers residing in detached, semi-detached or townhouse dwelling 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.

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 Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	25.92
Smart Metering Entity Charge - effective until December 31, 2022	\$	0.57
Distribution Volumetric Rate	\$/kWh	0.0062
Low Voltage Service Rate	\$/kWh	0.0054
Rate Rider for Disposition of Deferral/Variance Accounts (2019) - effective until April 30, 2023 - Approved on an Interim Basis	\$/kWh	0.0036
Retail Transmission Rate - Network Service Rate	\$/kWh	0.0067
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.0053

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0030
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

Hydro 2000 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-2018-0039

GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION

This classification refers to a non residential account taking electricity at 750 volts or less whose average monthly average peak demand is less than, or is forecast to be less than, 50 kW. This section shall include small apartment buildings, stacked townhouses, and smaller commercial, industrial and institutional developments. 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 Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	22.77
Smart Metering Entity Charge - effective until December 31, 2022	\$	0.57
Distribution Volumetric Rate	\$/kWh	0.0099
Low Voltage Service Rate	\$/kWh	0.0052
Rate Rider for Disposition of Deferral/Variance Accounts (2019) - effective until April 30, 2023 - Approved on an Interim Basis	\$/kWh	0.0036
Retail Transmission Rate - Network Service Rate	\$/kWh	0.0061
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.0051

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

Hydro 2000 Inc.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date May 1, 2019
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EB-2018-0039

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.

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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 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 Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	84.54
Distribution Volumetric Rate	\$/kW	1.4631
Low Voltage Service Rate	\$/kW	1.9417
Rate Rider for Disposition of Deferral/Variance Accounts (2019) - effective until April 30, 2023 - Approved on an Interim Basis	\$/kW	1.5588
Retail Transmission Rate - Network Service Rate	\$/kW	2.4990
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	1.9876

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

Hydro 2000 Inc.
TARIFF OF RATES AND CHARGES
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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.

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 Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge (per connection)	\$	1.25
Distribution Volumetric Rate	\$/kW	7.2916
Low Voltage Service Rate	\$/kW	1.5010
Rate Rider for Disposition of Deferral/Variance Accounts (2019) - effective until April 30, 2023 - Approved on an Interim Basis	\$/kW	1.2398
Retail Transmission Rate - Network Service Rate	\$/kW	1.8845
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	1.5366

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

Hydro 2000 Inc.
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UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION

This classification 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 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

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge (per connection)	\$	15.68
Distribution Volumetric Rate	\$/kWh	0.0443
Low Voltage Service Rate	\$/kWh	0.0052
Rate Rider for Disposition of Deferral/Variance Accounts (2019) - effective until April 30, 2023 - Approved on an Interim Basis	\$/kWh	0.0036
Retail Transmission Rate - Network Service Rate	\$/kWh	0.0061
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.0051

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

Hydro 2000 Inc.
TARIFF OF RATES AND CHARGES
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EB-2018-0039

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

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	5.40
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ALLOWANCES

Transformer Allowance for Ownership - per kW of billing demand/month	\$/kW	(0.60)
Primary Metering Allowance for Transformer Losses - applied to measured demand & energy	%	(1.00)

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Hydro 2000 Inc.
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SPECIFIC SERVICE CHARGES

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Customer Administration

Arrears certificate	\$	15.00
Statement of account	\$	15.00
Pulling post dated cheques	\$	15.00
Duplicate invoices for previous billing	\$	15.00
Request for other billing information	\$	15.00
Easement letter	\$	15.00
Income tax letter	\$	15.00
Notification charge	\$	15.00
Account history	\$	15.00
Credit reference/credit check (plus credit agency costs)	\$	25.00
Returned cheque (plus bank charges)	\$	15.00
Charge to certify cheque	\$	15.00
Legal letter charge	\$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	15.00
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 - per annum	%	19.56
Collection of account charge - no disconnection - during regular business hours	\$	20.00
Collection of account charge - no disconnection - after regular hours	\$	50.00
Disconnect/reconnect at meter - during regular hours	\$	25.00
Disconnect/reconnect at meter - after regular hours	\$	50.00
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	\$	25.00
Install/Remove load control device - after regular hours	\$	50.00

Other

Service call - customer owned equipment	\$	30.00
Service call - after regular hours	\$	165.00
Temporary service - install & remove - overhead - no transformer	\$	500.00
Temporary service - install & remove - underground - no transformer	\$	300.00
Temporary service - install & remove - overhead - with transformer	\$	1,000.00
Specific charge for access to the power poles - \$/pole/year (with the exception of wireless attachments)	\$	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.

Hydro 2000 Inc.
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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	1.0772
Total Loss Factor - Primary Metered Customer < 5,000 kW	1.0664