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

PARTIAL DECISION AND ORDER

EB-2018-0219

PUC DISTRIBUTION INC.

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

BEFORE: **Emad Elsayed**
Presiding Member

Lynne Anderson
Member

Jenni Byrne
Member

June 20, 2019

1 INTRODUCTION AND SUMMARY

PUC Distribution Inc. (PUC Distribution) filed an incentive rate-setting mechanism (IRM) application with the Ontario Energy Board (OEB) on January 31, 2019 under section 78 of the Ontario Energy Board Act, 1998, S.O. 1998, c. 15, (Schedule B) seeking approval for changes to its electricity distribution rates to be effective May 1, 2019.

As part of its 2019 IRM application, PUC Distribution has also applied for an Incremental Capital Module (ICM) to recover costs associated with the implementation of the Sault Smart Grid (SSG).

In Procedural Order No. 2, the OEB stated that given the complexity of the incremental capital funding proposal and the relatively mechanistic IRM portion of the application, the OEB will bifurcate the two parts of this application. The OEB noted that it will deal with the mechanistic IRM portion of the application by written hearing and set out further procedural steps for that portion of the application.

In this Partial Decision, the OEB is adressing the proposed adjustments by PUC Distribution for the price cap adjustment to base rates, retail transmission service rates (RTSRs), the disposition of deferral and variance accounts, including the disposition of the lost revenue adjustment mechanism account, and the transition to fixed rates for residential customers.

Through this Partial Decision, the OEB approves elements of the incentive IRM application filed by PUC Distribution, as amended during the course of the proceeding.

PUC Distribution serves about 33,500 mostly residential and commercial electricity customers in the City of Sault Ste. Marie as well as parts of Prince Township, Dennis Township and the Rankin Reserve. The company is seeking the OEB's approval for the rates it charges to distribute electricity to its customers, as is required of licenced and rate-regulated distributors in Ontario.

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

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

PUC Distribution 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.

2 THE PROCESS

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

During the course of the proceeding, the Rate Generator Model will also be updated or corrected, as required. The Rate Generator Model updates base rates, retail transmission service rates and, if applicable, shared tax saving adjustments. It also calculates rate riders for the disposition of deferral and variance account balances.

PUC Distribution filed its application on January 31, 2019 under section 78 of the *Ontario Energy Board Act, 1998* (OEB Act) and in accordance with the Filing Requirements. Notice of PUC Distribution’s application was issued on March 7, 2019. The Consumers Council of Canada (CCC), the Vulnerable Energy Consumers Coalition (VECC), and the School Energy Coalition (SEC) responded to the Notice and became parties to the proceeding. OEB staff also participated in the proceeding. Cost awards were allowed for PUC Distribution’s proposal for incremental capital funding in relation to the Sault Smart Grid project.

The application was supported by pre-filed written evidence and a completed Rate Generator Model. During the course of the proceeding, the applicant responded to interrogatories and, where required, updated and clarified the evidence. Final submissions on the IRM portion of the application were filed by OEB staff and PUC Distribution.

[1] OEB Policy – “A New Distribution Rate Design for Residential Electricity Customers.” EB-2012-0410, April 2, 2015.

3 ORGANIZATION OF THE DECISION

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

- Effective Date
- Price Cap Adjustment
- 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 Partial Decision.

This Partial Decision does not address rates and charges approved by the OEB in previous proceedings which are not part of the scope of an IRM proceeding (such as specific service charges[2] and loss factors). No further approvals are required to continue to include these items on a distributor's Tariff of Rates and Charges.

4 EFFECTIVE DATE

PUC Distribution filed its application on January 31, 2019 requesting rates effective May 1, 2019. As noted in the OEB's letter issued on July 12, 2018, which established application filing deadlines for distributors filing IRM applications, PUC Distribution was placed in the second tranche and was expected to file its application on September 24, 2018.

In its submission, OEB staff noted that based on the expected filing date versus the actual filing date, PUC Distribution's application was 129 days late. OEB staff further submitted that while PUC Distribution's application did not address the late filing, OEB staff is cognizant of the fact that preparing this type of application with an ICM request as large (in terms of both supporting documentation provided and quantum in terms of dollars) is not a small undertaking. Additionally, OEB staff noted that PUC Distribution did not receive its 2018 cost of service decision until September 2018.

[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.

OEB staff submited that it is not unreasonable to allow for a May 1 effective date for the IRM component.

Findings

The OEB finds that an effective date of May 1, 2019 is reasonable for the IRM portion of this application and approves it accordingly. The rates will be implemented July 1, 2019. The OEB requires PUC Distribution to calculate foregone revenue riders as part of the draft rate order given that the OEB is approving a May 1, 2019 effective and July 1, 2019 implementation date. The effective date for the ICM portion of this proceeding is to be determined if and when the OEB approves it.

5 PRICE CAP ADJUSTMENT

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

The components of the Price Cap IR Index adjustment formula applicable to PUC Distribution are set out in Table 5.1, below. Inserting these components into the formula results in a 1.05% increase to PUC Distribution's rates: ***1.05% = 1.50% - (0.00% + 0.45%)***.

Table 5.1: Price Cap IR Adjustment Formula

Components		Amount
Inflation Factor[3]		1.50%
X-Factor	Productivity[4]	0.00%
	Stretch (0.00% – 0.60%)[5]	0.45%

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

[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 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 PUC Distribution is 0.45%.

Findings

The OEB finds that PUC Distribution’s request for a 0.45% rate adjustment is in accordance with the annually updated parameters set by the OEB. The adjustment is approved, and PUC Distribution’s new rates shall be effective May 1, 2019.

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

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.

[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.

PUC Distribution is transmission connected 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: UTRs[7]

Current Approved UTRs (2019)	per kW
Network Service Rate	$3.71
Connection Service Rates	
Line Connection Service Rate	$0.94
Transformation Connection Service Rate	$2.25

Consistent with prior years, PUC Distribution's customers are not subject to the retail connection transmission service rates due to the fact that PUC Distribution receives power at 115kV and owns the transformer equipment to step down to distribution levels.[8] Therefore, PUC Distribution is only subject to Network charges by the IESO.

Findings

PUC Distribution's proposed adjustment to its RTSRs is approved. The RTSRs were adjusted based on the UTRs approved for 2018. The OEB finds that the new 2019 UTRs[9] are to be incorporated into the rate model to adjust the RTSRs that PUC Distribution will charge its customers accordingly.

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.[10] 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

[7] Decision and Order, EB-2018-0326, December 20, 2018.
[8] EB-2018-0219, Application, Page 7
[9] PUC is expected to use the interim UTRs approved on December 20, 2018 unless final UTRs become available to PUC prior to filing its draft rate order
[10] 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.

justifies why balances should not be disposed.[11] If the balance does not exceed the threshold, a distributor may elect to request disposition

The 2017 actual year-end total balance for PUC Distribution's Group 1 accounts including interest projected to April 30, 2019 is a credit of $1,659,753 (as amended during the course of this proceeding). This amount represents a total credit claim of $0.0027 per kWh, which exceeds the disposition threshold. PUC Distribution proposed 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 balance of a debit of $476,919. 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.[12]

The GA is paid by consumers in several different ways:

- For Regulated Price Plan (RPP) customers, the GA is incorporated into the standard commodity rates, therefore there is no variance account for the GA.

- Customers who participate in the Ontario Industrial Conservation Initiative program are referred to as "Class A" customers. These customers are assessed GA costs through a peak demand factor that is based on the percentage their demand contributes to the top five Ontario system peaks. This factor determines a Class A customer's allocation for a year-long billing period that starts in July every year. As distributors settle with Class A customers based on the actual GA costs there is no resulting variance.

- "Class B" non-RPP customers pay the GA charge based on the amount of electricity they consume in a month (kWh). Class B non-RPP customers are billed GA based on 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

[11] Report of the OEB – "Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR)." EB-2008-0046, July 31, 2009.
[12] 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.

from one class to another should not prevent identifiable customers from paying down/receiving a debit/credit balance.

PUC Distribution proposed the recovery of its GA variance account balance of $476,919 as at December 31, 2017, including interest to April 30, 2019, in accordance with the following table.

Table 7.1: Recovery of GA Variance

Proposed Amounts	Proposed Method for Recovery
$449,389 recovered from customers who were Class B for the entire period from January 2017 to December 2017	per kWh rate rider
$27,530 from customers formerly in Class B during the period January 2017 to June 2017 who were reclassified to Class A	12 equal installments[13]

The balance of the Group 1 accounts includes $3,845 for the recovery of Capacity Based Recovery (CBR) charges for Class B customers related to the IESO's wholesale energy market for Capacity Based Recovery program. Distributors pay CBR charges to the IESO and record these to a dedicated sub-account. The disposition of this sub-account is impacted by whether or not a distributor had any customers who were part of Class A during the period from January 2017 to December 2017. The disposition is also impacted by whether or not the Class B CBR rate riders in the 2019 IRM Rate Generator Model[14] rounds to zero at the fourth decimal place in one or more rate classes.

PUC Distribution had Class A customers during the period from July 2017 to December 2017 but the CBR Class B rate riders calculated rounded to zero at the fourth decimal place in one or more of the rate classes. In this event, the entire Account 1580 sub-account CBR Class B is added to the Account 1580 WMS control account to be disposed through the general purpose Group 1 Deferral and Variance Account.

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: Smart Meter Entity Charges, Wholesale Market Service Charges, Retail Transmission Service Charges, Commodity Power Charges, and Account 1595 residual

[13] 2018 IRM Rate Generator Model, Tab 6.1a “GA Allocation”.
[14] 2019 IRM Rate Generator Model, Tab 6.2 “CBR B”.

balances. These Group 1 accounts have a total credit balance of $2,136,672, 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.*[15] PUC Distribution further submitted that its proposal for a one-year disposition period is in accordance with the OEB’s policy.[16]

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.[17]

OEB staff commented on two aspects of PUC Distribution’s request in relation to its account balances. First, in relation to Account 1595, staff was unclear as to why PUC Distribution increased its claim for the balance of Account 1595 (2016) and how the increase is correlated with the removal of Account 1595 (2013) from the disposition request. OEB staff invited PUC Distribution to provide further clarification on Account 1595.

In its reply submission, PUC Distribution clarified that the amount of $9,424 was originally erroneously recorded in Account 1595 (2013) even though the amount was in relation to 2016 carrying charge transactions which should have been recorded in Account 1595 (2016). PUC Distribution adjusted its Rate Generator Model accordingly.

Second, in its submission, OEB staff was concerned with the large balance in Account 1588 – Power. OEB staff noted that typically, Account 1588 is expected to have a minimal balance that is comprised mainly of unaccounted for energy losses. OEB staff submitted that even though Account 1588 is in a credit position, PUC Distribution has not provided a sufficient explanation for the account balance.

Concerning Account 1589, OEB staff noted that it is not clear about the net amount of 2017 transactions in the year (i.e. after removing the GA for Class A customers) that should be disposed to Non-RPP Class B customers.

[15] Electricity Reporting and Record Keeping Requirements, Version dated May 3, 2016.
[16] Report of the OEB – “Electricity Distributors’ Deferral and Variance Account Review Initiative (EDDVAR).” EB-2008-0046, July 31, 2009.
[17] 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.

OEB staff noted that new accounting guidance[18] for Accounts 1588 and 1589 was issued February 21, 2019, effective January 1, 2019.[19] OEB staff noted that given the timing of the application and issuance of new accounting guidance, PUC Distribution has not taken the new accounting guidance into consideration in their application in the context of the 2017 balance currently requested for disposition, as well as the 2015 and 2016 balances that were approved for disposition on an interim basis. OEB staff submitted that Accounts 1588 and 1589 should not be disposed until PUC Distribution has addressed the above noted concerns and have completed its review of the account balances in accordance with the expectations of the new accounting guidance.

In its reply submission, with respect to Account 1588 and 1589, PUC Distribution agreed with OEB staff and submitted that Accounts 1588 and 1589 should not be disposed until PUC Distribution has completed a review of the account balances in accordance with the expectations of the new accounting guidance.

Findings

The OEB approves the disposition of a credit balance of $1,121,197 (which is the total Group 1 balance excluding Accounts 1588 and 1589) as of December 31, 2017, including interest projected to April 30, 2019 for Group 1 accounts on an interim basis.

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

Table 7.2: Group 1 Deferral and Variance Account Balances

Account Name	Account Number	Principal Balance ($) A	Interest Balance ($) B	Total Claim ($) C=A+B
Smart Meter Entity Variance Charge	1551	(33,777)	22,385	(11,392)
RSVA - Wholesale Market Service Charge	1580	(980,234)	(10,184)	(990,417)
Variance WMS - Sub-account CBR Class B	1580	3,690	155	3,845
RSVA - Retail Transmission Network Charge	1584	(184,625)	(4,416)	(189,040)

[18] Accounting Procedures Handbook Update – Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589, February 21, 2019
[19] OEB letter: Accounting Guidance related to Accounts 1588 RSVA Power, and 1589 RSVA Global Adjustment, dated February 21, 2019

Disposition and Recovery of Regulatory Balances (2016)	1595	189,267	(123,460)	65,807
Totals for all Group 1 accounts		(1,005,679)	(115,520)	(1,121,199)

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.*[20] 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. PUC Distribution shall ensure these adjustments are included in the reporting period ending June 30, 2019 (Quarter 2).

The OEB approves these balances to be disposed through interim rate riders. The interim rate riders will be in effect for 10 months from July 1, 2019 to April 30, 2020.[21] The rate riders shall be recalculated accordingly.

8 LOST REVENUE ADJUSTMENT MECHANISM VARIANCE ACCOUNT BALANCE

To address the impact of the reduced consumption due to the delivery of conservation and demand management (CDM) programs, 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.[22] 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 cost of service application.[23]

[20] Accounting Procedures Handbook for Electricity Distributors, effective January 1, 2012.
[21] 2019 IRM Rate Generator Model, Tab 7 Calculation of Def-Var RR.
[22] 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.
[23] 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.

PUC Distribution has applied to dispose its LRAMVA debit balance of $383,020. The balance consists of lost revenues in 2017 from CDM programs delivered during the period from 2011 to 2017 and carrying charges. In response to OEB staff interrogatories, PUC Distribution filed an update to its LRAMVA Workform to revise the 2016 and 2017 distribution rates used to calculate lost revenues. PUC Distribution agreed to exclude certain rate riders that were not in effect for the 2016 and 2017 rate years.[24] As a result of this change, the LRAMVA balance increased by $1,292 to a debit of $384,312. The actual conservation savings claimed by PUC Distribution were determined by the IESO.[25] Actual conservation savings were compared against PUC Distribution's forecasted conservation savings of 9,399,060 kWh included in the load forecast, which was set out in PUC Distribution's 2013 cost of service proceeding.[26]

Findings

The OEB finds that PUC Distribution'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 PUC Distribution's LRAMVA debit balance of $384,312, as set out in Table 8.1 below.

Table 8.1 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	$504,624	$132,133	$11,820	$384,312

The OEB notes that the application as filed indicated a total bill impact for the Street Lighting rate class in excess of 20%. The main contributor to this is the addition of an LRAMVA rider for 2019. The OEB's policy is that a distributor must file a mitigation plan if total bill increases for any customer class exceed 10%. PUC Distribution did not propose any rate mitigation measures in its application.

The OEB finds that rate mitigation is necessary for this rate class. The OEB finds that the disposition period for the LRAMVA rate rider for the Street Lighting rate class will be 34-months (i.e. July 1, 2019 to April 30, 2022). The rate riders shall be recalculated accordingly.

[24] EB-2018-0219, OEB Staff Interrogatory Responses, Question 18 (a) and (b)
[25] The Ontario Power Authority was responsible for CDM program evaluation prior to 2015.
[26] Decision and Order, EB-2012-0162, July 4, 2013.

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.[27] Distributors, such as PUC Distribution, 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.

PUC Distribution submits 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

PUC Distribution is in its second to last year of transitioning towards a fully fixed monthly distribution charge for its Residential customer class. In PUC Distribution's 2016 IRM application[28], the OEB approved an extension to the standard four-year transition period to a fully fixed service charge for Residential customers to five years to mitigate the impact of the transition for low consumption residential consumers.

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.

[27] As outlined in the Policy cited at footnote 1 above.
[28] EB-2015-0089

10 IMPLEMENTATION AND ORDER

The OEB directs PUC Distribution to revise the proposed rates to reflect the findings in this Partial Decision and to file a draft rate order for rates to be effective May 1, 2019 and implemented July 1, 2019 based on the effective dates determined in this Decision.

The OEB expects PUC Distribution to file detailed supporting material showing the impact of this Partial Decision on the rates and rate riders, including bill impacts.

PUC Distribution's draft rate order should include a revised Tariff of Rates and Charges reflecting this Partial Decision.

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. PUC Distribution Inc. shall file with the OEB and forward to intervenors a draft rate order with a proposed Tariff of Rates and Charges attached that reflects the OEB's findings in this Partial Decision and Order, no later than **June 26, 2019**. PUC Distribution Inc. shall also include customer rate impacts and a supporting Rate Generator Model in support of the calculation of final rates in the draft rate order.

2. Intervenors and OEB staff may file any comments on the draft rate order with the OEB, and forward to PUC Distribution Inc., no later than **July 3, 2019**. As noted in the published Notice of Application, cost awards in this proceeding are being considered in accordance with the *Practice Direction on Cost Awards,* and only in relation to PUC Distribution's proposal for incremental capital funding. Costs will not be awarded for the review of the draft rate order or for the filing of any comments on the draft rate order for the IRM portion.

3. PUC Distribution Inc. shall file with the OEB and forward to intervenors, responses to any comments on its draft rate order no later than **July 5, 2019**.

This schedule has been condensed to allow for a July 1, 2019 implementation. Requests for an extension will be considered if necessary.

COST AWARDS

The OEB will establish the procedural steps for cost claims in its decision on PUC Distribution's ICM proposal.

All filings to the OEB must quote the file number, EB-2018-0219 and be made electronically through the OEB's web portal at http://www.pes.ontarioenergyboard.ca/eservice/ in searchable/unrestricted PDF format. Two paper copies must also be filed at the OEB's address provided below. Filings must clearly state the sender's name, postal address and telephone number, fax number ande-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at https://www.oeb.ca/oeb/_Documents/e-Filing/RESS_Document_Guidelines_final.pdf. If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a USB flash drivein PDF format, along with two paper copies. Those who do not have computer access are required to file seven paper copies.
All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

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DATED at Toronto, June 20, 2019

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary