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# **DECISION AND RATE ORDER**

## **EB-2019-0062**

### **OSHAWA PUC NETWORKS INC.**

**Application for rates and other charges to be effective January 1, 2020**

**By Delegation, Before: Pascale Duguay**

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**December 12, 2019**

## 1 INTRODUCTION AND SUMMARY

Through this Decision and Rate Order, the Ontario Energy Board (OEB) approves the incentive rate-setting mechanism (IRM) application filed by Oshawa PUC Networks Inc. (Oshawa PUC) for new rates effective January 1, 2020.

Oshawa PUC serves approximately 60,000 mostly residential and commercial electricity customers in the City of Oshawa. The company is seeking the OEB's approval for the rates it charges to distribute electricity to its customers, as is required of licensed 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 [Handbook for Utility Rate Applications](#).

Oshawa PUC'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 typically 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 \$0.11 for a residential customer consuming 750 kWh, effective January 1, 2020.

Oshawa PUC has also applied to change the composition of its distribution service rates. Residential distribution service rates have historically included 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.<sup>1</sup> Oshawa PUC, however, commenced its transition in 2017 because its 2016 rates were set on a final basis in its 2015 Custom IR application. This is the fourth and final year of Oshawa PUC's transition to fully fixed rates for residential customers. There is no longer a variable usage rate for this class of customer. This policy change does not affect the total revenue that distributors collect from residential customers.

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<sup>1</sup> OEB Policy – "A New Distribution Rate Design for Residential Electricity Customers." EB-2012-0410, April 2, 2015.

## 2 THE PROCESS

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

The OEB follows a standardized and streamlined process for 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, as a placeholder, information from the distributor's past proceedings and annual reporting requirements.<sup>2</sup> A distributor will then review and complete the Rate Generator Model, and include it with its application.

Oshawa PUC filed its complete application on August 29, 2019 under section 78 of the OEB Act and in accordance with the Chapter 3 of the OEB's [Filing Requirements for Incentive Rate-Setting Applications](#) (Filing Requirements) [Addendum to Filing Requirements for Electricity Distribution Rate Applications](#).

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 OEB staff questions through emails and phone calls and, where required, updated and clarified the evidence.

## 3 ORGANIZATION OF THE DECISION

In this Decision, the OEB addresses the following issues, and provides reasons for approving or denying Oshawa PUC'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
- Request for a new Deferral and Variance Account

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<sup>2</sup> The Rate Generator Model is a Microsoft Excel workbook that is used to update 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. During the course of an IRM proceeding, the Rate Generator Model may be updated in order to make any necessary corrections, or to incorporate new rate-setting parameters as they become available.

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

This Decision does not address rates and charges approved by the OEB in previous proceedings, which are not part of the scope of an IRM proceeding (such as specific service charges<sup>3</sup> and loss factors). No further approvals are required to continue to include these items on a distributor's Tariff of Rates and Charges.

## 4 PRICE CAP ADJUSTMENT

Oshawa PUC seeks to increase its rates, effective January 1, 2020, 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 adjustment formula applicable to Oshawa PUC are set out in Table 4.1, below. Inserting these components into the formula results in a 1.85% increase to Oshawa PUC's rates: **1.85% = 2.00% - (0.00% + 0.15%)**.

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

Components		Amount
Inflation Factor <sup>4</sup>		2.00%
X-Factor	Productivity <sup>5</sup>	0.00%
	Stretch (0.00% – 0.60%) <sup>6</sup>	0.15%

<sup>3</sup> Specific service charges have been amended by the OEB through: 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. Certain Service Charges are subject to annual inflationary adjustments to be determined by the OEB through a generic order. The Decision and Order EB-2019-0280 issued November 28, 2019 for energy retailer service charges, and the cover letter dated November 28, 2019 “Inflation Adjustment for Energy Retailer Service Charges (EB-2019-0280) and Wireline Pole Attachment Charge (EB-2015-0304) for Electricity Distributors”, established the adjustments effective January 1, 2020.

<sup>4</sup> For the 2020 Inflation Factor, see Ontario Energy Board 2020 Electricity Distribution Rate applications webpage - October 31, 2019.

<sup>5</sup> Report of the OEB – “Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors” EB-2010-0379, Issued November 21, 2013, corrected December 4, 2013.

<sup>6</sup> The stretch factor groupings are based on the Report to the Ontario Energy Board – “Empirical Research in Support of Incentive Rate-Setting: 2018 Benchmarking Update”, prepared by Pacific Economics Group LLC., August 15, 2019.

The inflation factor of 2.00% applies to all Price Cap IR applications for the 2020 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 and Annual IR Index applications for the 2020 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 Oshawa PUC is 0.15%.

## Findings

The OEB finds that Oshawa PUC's request for a 1.85% rate adjustment is in accordance with the annually updated parameters set by the OEB. The adjustment is approved, and Oshawa PUC's new rates shall be effective January 1, 2020.

The adjustment applies to distribution rates (fixed and variable) uniformly across all customer classes.<sup>7</sup>

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<sup>7</sup> Price Cap IR and Annual IR Index adjustments do not apply to the following rates and charges: rate riders, rate adders, low voltage service charges, retail transmission service rates, wholesale market service rate, smart metering entity charge, rural or remote electricity rate protection charge, standard supply service – administrative charge, transformation and primary metering allowances, loss factors, specific service charges, microFIT charge, and retail service charges.

## 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. With regard to IRM applications, the OEB has long held that the impact of such legislated tax changes be shared 50/50 between shareholders and ratepayers. 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 the distributor's last cost of service proceeding.

On July 25, 2019, the OEB issued a letter<sup>8</sup> providing accounting guidance with respect to recent changes in capital cost allowance (CCA) rules. The guidance provides that impacts from changes in CCA rules will not be assessed in IRM applications, and that any request for disposition of amounts related to CCA changes is to be deferred to the distributor's next cost-base rate application. A distributor's request for disposition of shared tax adjustment amounts in an IRM application should, therefore, be comprised only of impacts for tax changes unrelated to CCA (such as changes in corporate income tax rates).

The application identifies a total tax increase of \$61,683, resulting in a shared debit amount of \$30,841 to be collected from ratepayers.

This allocated tax sharing amount does not produce a rate rider in one or more rate classes. In such situations, where the Rate Generator Model does not compute rate riders, distributors typically are required to transfer the entire OEB-approved tax sharing amount into the Disposition and Recovery of Regulatory Balances Control Account (Account 1595) for disposition at a later date.

### Findings

The OEB approves the recovery of a tax sharing amount of \$30,841.

The allocated tax sharing debit amount of \$30,841 does not produce a rate rider in one or more rate classes. The OEB therefore directs Oshawa PUC to record the OEB-approved tax sharing debit amount of \$30,841 into Account 1595 "Sub-account Principal Balances Approved for Disposition in 2020", by March 31, 2020, for disposition at a later date.

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<sup>8</sup> OEB Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance, July 25, 2019.

## 6 RETAIL TRANSMISSION SERVICE RATES

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

Oshawa PUC is transmission connected and is requesting approval to adjust the RTSRs that it charges its customers to reflect the currently approved rates that it pays for transmission services included in Table 6.1.

**Table 6.1: UTRs<sup>9</sup>**

UTRs (2019)	per kW
Network Service Rate	\$3.83
<u>Connection Service Rates</u>	
Line Connection Service Rate	\$0.96
Transformation Connection Service Rate	\$2.30

### Findings

Oshawa PUC's proposed adjustment to its RTSRs is approved. The RTSRs were adjusted based on the current UTRs.

The differences resulting from the approval of new 2020 UTRs will be captured in Accounts RSVA – Retail Transmission Network Charge 1584 and Retail Transmission Connection Charge 1586.

<sup>9</sup> EB-2019-0164, Decision and Order, July 25, 2019.

## 7 GROUP 1 DEFERRAL AND VARIANCE ACCOUNTS

In each year of an IRM term, the OEB will review a distributor's Group 1 deferral and variance accounts in order to determine whether their total balance should be disposed.<sup>10</sup> OEB policy requires that Group 1 accounts be disposed if they exceed (as a debit or credit) a pre-set disposition threshold of \$0.001 per kWh, unless a distributor justifies why balances should not be disposed.<sup>11</sup> If the balance does not exceed the threshold, a distributor may elect to request disposition.

The 2018 actual year-end total balance for Oshawa PUC's Group 1 accounts including interest projected to December 31, 2019 is a credit of \$3,149,736. This amount represents a total credit claim of \$0.0029 per kWh, which exceeds the disposition threshold, and the utility has requested interim disposition.

### *a) Global Adjustment Variance Account*

One of the components of the commodity costs billed by the Independent Electricity System Operator (IESO), which is included in Group 1 accounts, is the Global Adjustment (GA).<sup>12</sup>

Different customer groups pay the GA in different ways:

- For Regulated Price Plan (RPP) customers, the GA is incorporated into the standard commodity rates customers pay. Therefore, there is no separate variance account for the GA.
- "Class A" customers are allocated GA costs based on the percentage their demand contributes to the top five Ontario system peaks. As distributors settle with Class A customers based on actual GA costs, there is no resulting variance.
- "Class B" non-RPP customers are billed GA based on the electricity they consume in a month at the IESO published GA price. Distributors track any

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<sup>10</sup> Group 1 accounts track the differences between the costs that a distributor is billed for certain IESO and host distributor services (including the cost of power) and the associated revenues that the distributor receives from its customers for these services. The total net difference between these costs and revenues is disposed to customers through a temporary charge or credit known as a rate rider.

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

<sup>12</sup> The GA is established monthly by the IESO to reflect the difference between the wholesale market price for electricity and regulated rates for:

- Ontario Power Generation's nuclear and hydroelectric generating stations
- payments for building or refurbishing infrastructure such as gas-fired and renewable facilities and other nuclear
- contracted rates paid to a number of generators across the province
- the cost of delivering conservation programs.



difference between the billed amounts and actual costs for these customers in the GA Variance Account for disposal, once audited.

Under the general principle of cost causality, customer groups that cause variances which are recorded in Group 1 accounts should be responsible for paying (or receiving credits) for their disposal. A customer's movement from one group to another should not prevent that customer from paying/receiving a debit/credit balance.

Oshawa PUC proposes the recovery of its GA variance account debit balance of \$76,606 as at December 31, 2018, including interest to December 31, 2019, in accordance with the following table.

**Table 7.1: Recovery of GA Variance**

<b>Proposed Amounts</b>	<b>Proposed Method for Recovery</b>
\$72,982 recovered from customers who were Class B for the entire period from January 2017 to December 2018	per kWh rate rider
\$820 recovered from customers formerly in Class B during the period January 2017 to June 2018 who were reclassified to Class A	12 equal installments <sup>13</sup>
\$1,672 recovered from customers formerly in Class B during the period January 2017 to June 2017 who were reclassified to Class A	12 equal installments <sup>14</sup>
\$1,132 recovered from customers formerly in Class A during the period July 2017 to June 2018 who were reclassified to Class B	12 equal installments <sup>15</sup>

*b) Capacity Based Recovery Class B Sub-account*

The balance of the Group 1 accounts includes the Capacity Based Recovery (CBR) sub-account for Class B customers of \$17,628, relating to the IESO's wholesale energy market for the CBR program. Oshawa PUC had Class A customers during the period from January 2017 to December 2018 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 – Wholesale Market Service Charge control account to be disposed through the general purpose Group 1 Deferral and Variance Account.

<sup>13</sup> 2020 IRM Rate Generator Model, Tab 6.1a "GA Allocation".

<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

*c) Group 1 Accounts*

The Group 1 accounts being sought for disposition (excluding global adjustment) include the following flow through variance accounts: 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 \$3,226,341, which results in a refund to customers. This balance combined with the balance for the global adjustment account results in the total credit balance for Group 1 accounts of \$3,149,736.

The balances proposed for disposition reconcile with the amounts reported as part of the OEB's *Electricity Reporting and Record-Keeping Requirements*.<sup>16</sup> Oshawa PUC further submits that its proposal for a one-year disposition period is in accordance with the OEB's policy.<sup>17</sup>

The following table identifies the principal and interest amounts proposed for disposition.

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<sup>16</sup> Electricity Reporting and Record Keeping Requirements, Version dated May 3, 2016.

<sup>17</sup> Report of the OEB – “Electricity Distributors’ Deferral and Variance Account Review Initiative (EDDVAR).” EB-2008-0046, July 31, 2009.

**Table 7.2: Group 1 Deferral and Variance Account Balances Proposed for Disposition**

<b>Account Name</b>	<b>Account Number</b>	<b>Principal Balance (\$) A</b>	<b>Interest Balance (\$) B</b>	<b>Total Claim (\$) C=A+B</b>
Smart Meter Entity Variance Charge	1551	(57,694)	(3,086)	(60,780)
RSVA - Wholesale Market Service Charge	1580	(1,364,611)	(56,503)	(1,421,114)
Variance WMS - Sub-account CBR Class B	1580	(16,239)	(1,389)	(17,628)
RSVA - Retail Transmission Network Charge	1584	2,158,694	81,803	2,240,498
RSVA - Retail Transmission Connection Charge	1586	(2,306,783)	(93,426)	(2,400,208)
RSVA - Power	1588	(1,546,406)	(20,702)	(1,567,108)
RSVA - Global Adjustment	1589	128,452	(51,846)	76,606
<b>Totals for all Group 1 accounts</b>		<b>(3,004,587)</b>	<b>(145,149)</b>	<b>(3,149,736)</b>

In 2018, the OEB suspended its approvals of Group 1 rate riders on a final basis pending the development of further accounting guidance on commodity pass-through variance accounts.<sup>18</sup> The OEB issued accounting guidance<sup>19</sup> on the commodity accounts on February 21, 2019. In this letter, the OEB indicated that it expects distributors to consider the accounting guidance in the context of historical balances that have not yet been disposed on a final basis. Distributors are expected to make any adjustments needed prior to filing for final disposition.

Oshawa PUC is requesting its 2017 and 2018 balances be disposed on an interim basis. In its application as originally filed, Oshawa PUC indicated that no material adjustments were noted in its review of the Account 1588 and 1589 balances in the

<sup>18</sup> 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.

<sup>19</sup> Accounting Procedures Handbook Update – Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589, February 21, 2019.

context of the new accounting guidance. While Oshawa PUC had stated that it was confident that its process is in line with the new accounting guidance, Oshawa PUC subsequently identified material adjustments to the account balances due to further analysis resulting from OEB staff questions.

- Oshawa PUC identified the need for true-up adjustments in accordance with the new accounting guidance at year-end to reallocate balances between Account 1589 and Account 1588 (for corresponding opposite amounts):
  - a credit of \$1,587,946 in 2017 to Account 1589, and
  - a debit of \$2,969,517 in 2018 to Account 1589.<sup>20</sup>
- Oshawa PUC also recognized that it incorrectly recorded GA Modifier debit transactions of \$1,071,282 in 2017 and \$5,443,135 in 2018 in Account 1589 and had not settled the GA Modifier amounts with the IESO.<sup>21</sup>
- In its investigation of the large annual balance in Account 1588, Oshawa PUC identified an \$878,565 posting error made between Accounts 1588 and 1580 in 2017.<sup>22</sup> Correction of this error reduced the 2017 balance, but had the effect of increasing the total credit balance requested for disposition at the end of 2018.

In response to OEB staff questions, Oshawa PUC also noted that it currently did not have the ability to obtain actual consumption amounts on a monthly basis. As a result, it was only able to do annual true-ups for consumption at year-end for the 2017 and 2018 balances, as well as going forward.

In determining the 2020 RTSR rates, Oshawa PUC reported \$7,984,114 of expenses in 2018<sup>23</sup> for Network, while the revenue computed as the total Billed Amount across all rate classes at current rates and 2018 volumes is \$8,320,547.<sup>24</sup> While the model has calculated revenue that would result from 2018 volumes billed at 2019 rates, Oshawa PUC has the same RTSR rates in 2019 as it did in 2018.<sup>25</sup> If this amount reflects 2018 RTSR - Network billed to customers, the difference would reflect an over-collection, or credit of \$336,433 in 2018. However, Oshawa PUC had net principal transactions for RSVA – RTSR Network in 2018 reflecting a debit of \$1,180,801. This reflects a variance of 14.8% (\$1,180,801 divided by \$7,984,114) of the total expense in 2018. There were comparably high net principal transactions for RSVA – RTSR Network in 2017 reflecting a debit of \$977,893, with a cumulative total debit principal balance of \$2,158,694.

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<sup>20</sup> Response to Staff Question 4dii, dated October 16, 2019.

<sup>21</sup> Response to Staff Question 4di, dated October 16, 2019.

<sup>22</sup> Response to Staff Follow-up Question #2 Update, dated November 12, 2019.

<sup>23</sup> 2020 IRM Rate Generator Model Tab 12. RTSR-Historical Wholesale.

<sup>24</sup> 2020 IRM Rate Generator Model Tab 15. RTSR Rates to Forecast.

<sup>25</sup> EB-2017-0069, Rate Order, February 1, 2018.

Similarly, while determining the 2020 RTSR rates, Oshawa PUC reported \$7,556,650 of expenses in 2018<sup>26</sup> for Total Connection, while the revenue computed as the total Billed Amount across all rate classes at current rates and 2018 volumes is \$7,954,385.<sup>27</sup> While the model has calculated revenue that would result from 2018 volumes billed at 2019 rates, Oshawa PUC has the same RTSR rates in 2019 as it did in 2018<sup>28</sup>. If this amount reflects 2018 RTSR - Connection billed to customers, the difference would reflect an over-collection, or credit of \$397,735 in 2018. However, Oshawa PUC had net principal transactions for RSVA – RTSR Connection in 2018 reflecting a credit of \$1,179,606. This reflects a variance of 15.6% (\$1,179,606 divided by \$7,556,650) of the total expense in 2018. There were comparably high net principal transactions for RSVA – RTSR Connection in 2017 reflecting a credit of \$1,127,177, with a cumulative total credit principal balance of \$2,306,783.

## Findings

The OEB notes that the adjustments that Oshawa PUC made to the balances in Account 1588 RSVA - Power and Account 1589 RSVA – Global Adjustment following questions from OEB staff were material. In particular, recording the GA Modifier in Account 1589 could have had significant consequences for Oshawa PUC's customers, as it should have been settled with the IESO instead. The OEB also notes that the Account 1588 balance (including principal adjustments) is large on an annual basis. The principal adjustments Oshawa PUC identified would have ensured that transactions are accounted for in the appropriate year. Account 1588 is not generally expected to have a large annual balance, as it should only hold the difference between actual and approved line losses. A large annual balance could be indicative of other issues in Oshawa PUC's accounting processes, including its quantification of principal adjustments. The OEB is not satisfied that Oshawa PUC has sufficiently addressed the large annual balance in Account 1588.

The OEB notes that Oshawa PUC is not able to do consumption true ups of accounts 1588 and 1589 on a monthly basis (as required by the new accounting guidance) due to system limitations. The OEB encourages Oshawa PUC to continue to find ways to improve the true up process until such time it is able to obtain actual consumption data on a monthly basis. The OEB directs Oshawa PUC to review its processes to calculate unbilled revenue as the accuracy of its unbilled consumption estimates could help minimize the RPP settlement true-ups required to account balances.

The OEB is also concerned by the large RSVA – RTSR Network and RSVA – RTSR Connection principal transactions which account for approximately +/- 15% of the

<sup>26</sup> 2020 IRM Rate Generator Model Tab 12. RTSR-Historical Wholesale.

<sup>27</sup> 2020 IRM Rate Generator Model Tab 15. RTSR Rates to Forecast.

<sup>28</sup> EB-2017-0069, Rate Order, February 1, 2018.

transaction values. In addition, these values appear inconsistent with the revenues and expenses underpinning the adjustments to RTSR rates.

Accordingly, Oshawa PUC's request for disposition of its Group 1 account balances on an interim basis is denied. Based on the evidence on the record, the OEB directs that a review be conducted by way of an external special purpose audit engagement, at minimum for accounts 1588 and 1589 for the period from January 1, 2017 to December 31, 2019. Oshawa PUC may decide if this special purpose audit should be extended to all Group 1 accounts or whether the company prefers to do an internal review of the remaining accounts. The OEB expects the special purpose audit to assess the accounting process, as well as validate the accuracy of the Group 1 accounts. The OEB expects Oshawa PUC to provide the results of that review with its next application to dispose of these accounts. The special purpose audit of accounts 1588 and 1589 should include a review of the balances and principal adjustments in accordance with the new accounting guidance, as well as Oshawa PUC's accounting and settlement processes to ensure it has implemented the new accounting guidance appropriately.

## **8 LOST REVENUE ADJUSTMENT MECHANISM VARIANCE ACCOUNT BALANCE**

In recent years, distributors have delivered conservation and demand management (CDM) programs to their customers through the Conservation First Framework (CFF), which began on January 1, 2015. 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 savings and forecast conservation savings included in the last OEB-approved load forecast.<sup>29</sup> These differences are recorded by distributors at the rate class level.

On March 20, 2019, the CFF was revoked.<sup>30</sup> However, the OEB indicated that electricity distributors will continue to have access to a lost revenue adjustment mechanism for conservation program activities undertaken under the CFF.<sup>31</sup>

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<sup>29</sup> 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.

<sup>30</sup> On March 20, 2019 the Minister of Energy, Northern Development and Mines issued separate Directives to the OEB and the IESO.

<sup>31</sup> Ontario Energy Board letter dated June 20, 2019.

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.

Oshawa PUC originally applied to dispose its LRAMVA debit balance of \$633,429. The balance consists of lost revenues in 2015 and 2017 from CDM programs delivered during the period from 2015 to 2017 and carrying charges. In response to OEB staff questions, Oshawa PUC updated the LRAMVA threshold to reflect the annual CDM adjustment amounts embedded in the 2015-2017 load forecasts. Oshawa PUC also provided a third party consultant report to substantiate actual street light demand savings achieved over the billing period from 2016 to 2017. The net result of these updates was a decrease in the balance by \$683,654 driven mainly by the correction to the amount of actual street light savings included in the claim. This results in a revised LRAMVA balance of a credit of \$50,225. The actual conservation savings claimed by Oshawa PUC were determined by the IESO.<sup>32</sup> For CDM programs delivered prior to 2018, the IESO provided LDCs with a Final Results Report that summarized all annual CDM results. For CDM programs delivered in 2018, the IESO made monthly Participation and Cost Reports and detailed project level data available to support LRAMVA applications. Actual conservation savings were compared against Oshawa PUC's annual forecasted conservation savings included in each of the 2015 to 2017 load forecasts, which was set out in Oshawa PUC's 2015-2020 Custom IR proceeding.<sup>33</sup>

## Findings

The OEB finds that Oshawa PUC's LRAMVA balance as amended through updates to the application has been calculated in accordance with the OEB's CDM-related guidelines and updated LRAMVA policy. The OEB approves the disposition of Oshawa PUC's LRAMVA credit balance of \$50,225, 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	\$1,364,712	\$1,408,585	(\$6,352)	(\$50,225)

<sup>32</sup> For CDM programs delivered from 2015 to 2017, the IESO provided distributors with a Final Results Report that summarized all savings results. For 2018, distributors accessed the Participant and Cost Reports and detailed project level data from the IESO to support LRAMVA applications.

<sup>33</sup> EB-2014-0101, Decision and Order, November 12, 2015.

## 9 RESIDENTIAL RATE DESIGN

Some 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.<sup>34</sup> Distributors, such as Oshawa PUC, who have not completed their transition in 2019, are required to continue with this transition until the monthly service charge is fully fixed.

Oshawa PUC did not commence its transition until 2017, as its 2016 rates were set as part of its 2015 Custom IR application.

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

Oshawa PUC submits that the implementation of the transition results in an increase to the fixed charge, prior to the price cap adjustment, of \$3.03. 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 2020 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. The distributor has now completed its transition to a fully fixed rate structure for residential customers.

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<sup>34</sup> As outlined in the Policy cited at footnote 1 above.



## 10 REQUEST FOR A NEW DEFERRAL AND VARIANCE ACCOUNT

In the past, the Collection of Account charge was intended to cover the field costs, or part of the costs, of additional collection activities that are beyond the routine of a distributor as a result of an individual customer's non-payment of its account.<sup>35</sup> The Reconnection charge was intended to recover the cost of the physical process of re-establishing power to a customer whose service was disconnected for non-payment reasons.<sup>36</sup>

On February 23, 2017, the OEB issued a letter<sup>37</sup> indicating its intent to launch a review of customer service rules for the electricity and gas sectors, including the development of disconnection rules. On the same day, the OEB issued its decision and order<sup>38</sup> to amend all electricity distribution licenses to ensure that residential customers were not disconnected for non-payment during the February 24, 2017 to April 30, 2017 winter period. During that same period, the Collection of Account charge and Reconnection charge was also to be waived. In a subsequent decision and order on November 2, 2017,<sup>39</sup> the OEB further amended all electricity distributors' licenses to prohibit the disconnection of residential customers for reason of non-payment from November 15 to April 30 (Disconnection Ban Period) on a go forward basis. The waiving of the Collection of Account charge and Reconnection charge was also to apply on a go forward basis during the Disconnection Ban Period.

On March 14, 2019, the OEB gave notice<sup>40</sup> to amend codes and a rule (March 2019 Notice). The March 2019 Notice permanently eliminated the Collection of Account charge for all customers, effective July 1, 2019. The notice also required electricity distributors to waive the Reconnection charge for eligible low-income customers. The OEB indicated that it believes that activities associated with collection of accounts are part of normal business activities and customers should not be charged for them. The OEB further indicated that it did not find it prudent to establish a generic deferral and variance account to track the impact of eliminating non-payment related charges. However, a distributor could apply for an account with evidence demonstrating that the

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<sup>35</sup> Notice of Amendments to Codes and a Rule, EB-2017-0183, March 14, 2019.

<sup>36</sup> *Ibid.*

<sup>37</sup> Letter regarding Winter Disconnections and Launch of Review of Customer Service Rules, February 23, 2017.

<sup>38</sup> EB-2017-0101, Decision and Order, Amending Electricity Distributor Licenses to Prohibit Disconnection of Residential Customers and Related Matters, February 23, 2017.

<sup>39</sup> EB-2017-0318, Decision and Order, Amending Electricity Distributor Licenses to Prohibit the Disconnection of Residential Customers and Related Matters, November 2, 2017.

<sup>40</sup> Notice of Amendments to Codes and a Rule, EB-2017-0183, March 14, 2019.

account would meet the eligibility criteria as set out in the OEB's *Chapter 2 Filing Requirements for Electricity Distribution Rate Applications*

In the current application, Oshawa PUC requested the establishment of an account to recover lost revenue associated with the elimination of the Collection of Account charge and Reconnection charge, effective January 1, 2015. Oshawa PUC indicated that it is seeking approval for the cumulative losses of \$132,436 as of the end of 2018. Oshawa PUC expects losses of \$429,316 in 2019. Oshawa PUC's materiality threshold based on its 2019 approved revenue requirement is \$134,135.<sup>41</sup>

## Findings

The OEB will approve the establishment of a variance account to record lost revenues resulting from the elimination of the Collection of Account charge. However, the OEB will not approve the request to establish the account as of January 1, 2015. The OEB is not aware of any regulatory precedent for establishing an account that far back and finds there would be no merit in granting an effective date that precedes the effective date of the March 2019 Notice, to permanently eliminate the Collection of Account charge for all customers (i.e. July 1, 2019). Consistent with other similar requests received, the OEB will approve an effective date of July 1, 2019 to coincide with the permanent elimination of the Collection of Account charge. While this date briefly precedes the date that this application was filed (August 13, 2019), the OEB considers it appropriate as Oshawa PUC would have had to otherwise submit a stand-alone application one month prior to its pre-scheduled 2020 IRM application.

The March 2019 Notice stated that a distributor could apply for an account with evidence demonstrating that the account would meet the eligibility criteria as set out in the OEB's *Chapter 2 Filing Requirements for Electricity Distribution Rate Applications*. The OEB is satisfied that Oshawa PUC's request meets the eligibility criteria of causation and prudence. The OEB also notes that the final determination of prudence will be made at the time of disposition. With respect to materiality, the OEB notes that there are discrepancies between the amounts reported in table 23 of the application and the amounts reported in the Chapter 2 Appendix 2-H supporting Oshawa PUC's 2015 Custom IR decision and order,<sup>42</sup> which lead to different conclusions on whether the amount to be included in the account would be material. The OEB will nonetheless approve the establishment of the account at this time, but the onus will be on Oshawa PUC to demonstrate at the time of disposition that the amounts included in table 23 are

<sup>41</sup> EB-2017-0069 Revenue Requirement Work Form (\$26,827,000 revenue requirement \* 0.5% = \$134,135).

<sup>42</sup> EB-2014-0101, DRO Chapter 2 Appendix 2H, filed December 7, 2015.

the appropriate amounts. The OEB approves the Accounting Order attached to this Decision and Rate Order in Schedule B.

## 11 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 Oshawa PUC's last cost of service decision, and to ensure that the 2019 OEB-approved Tariff of Rates and Charges, as well as the cost, revenue and consumption results from 2018, are as reported by Oshawa PUC 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 11.1: Regulatory Charges**

<b>Rate</b>	<b>per kWh</b>
Rural or Remote Electricity Rate Protection (RRRP)	\$0.0005
Wholesale Market Service (WMS) billed to Class A and B Customers	\$0.0030
Capacity Based Recovery (CBR) billed to Class B Customers	\$0.0004

Each of these rates is a component of the "Regulatory Charge" on a customer's bill, established annually by the OEB through a separate, generic order. The RRRP, WMS and CBR rates were set by the OEB on December 20, 2018.<sup>43</sup>

The Smart Metering Entity Charge is a component of the "Distribution Charge" on a customer's bill, established by the OEB through a separate order. The Smart Metering Entity Charge was set by the OEB on March 1, 2018.<sup>44</sup>

<sup>43</sup> EB-2018-0294, Decision and Order, December 20, 2018.

<sup>44</sup> EB-2017-0290, Decision and Order, 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, 2020 for electricity consumed or estimated to have been consumed on and after such date. Oshawa PUC Networks Inc. shall notify its customers of the rate changes no later than the delivery of the first bill reflecting the new final rates.
2. The Accounting Order set out in Schedule B of this Decision and Rate Order is approved effective July 1, 2019, to establish a variance account under Account 1508 Other Regulatory Assets, Sub-Account Lost Revenue for Collection of Account and Reconnection Charges.

**DATED** at Toronto, December 12, 2019

**ONTARIO ENERGY BOARD**

*Original signed by*

Christine E. Long  
Registrar and Board Secretary

**Schedule A**

**To Decision and Rate Order**

**Tariff of Rates and Charges**

**OEB File No: EB-2019-0062**

**DATED: December 12, 2019**

**Oshawa PUC Networks Inc.**  
**TARIFF OF RATES AND CHARGES**  
**Effective and Implementation Date January 1, 2020**  
**This schedule supersedes and replaces all previously**  
**approved schedules of Rates, Charges and Loss Factors**

EB-2019-0062

## RESIDENTIAL 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 Global Adjustment and the HST.

## MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	24.67
Smart Metering Entity Charge - effective until December 31, 2022	\$	0.57
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2020) - effective until December 31, 2020	\$/kWh	0.0005
Retail Transmission Rate - Network Service Rate	\$/kWh	0.0073
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.0066

## 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

**Oshawa PUC Networks Inc.**  
**TARIFF OF RATES AND CHARGES**  
**Effective and Implementation Date January 1, 2020**  
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EB-2019-0062

## **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 Board, and amendments thereto as approved by the 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	\$	17.39
Smart Metering Entity Charge - effective until December 31, 2022	\$	0.57
Distribution Volumetric Rate	\$/kWh	0.0177
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2020) - effective until December 31, 2020	\$/kWh	0.0003
Retail Transmission Rate - Network Service Rate	\$/kWh	0.0068
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.0061

### **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

**Oshawa PUC Networks Inc.**  
**TARIFF OF RATES AND CHARGES**  
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## 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. Note that for statistical purposes the following sub-classifications apply:

- General Service 50 to 200 kW
- General Service over 200 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.

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	\$	58.43
Distribution Volumetric Rate	\$/kW	4.9998
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2020) - effective until December 31, 2020	\$/kW	(0.1287)
Retail Transmission Rate - Network Service Rate	\$/kW	2.4777
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	2.1429
Retail Transmission Rate - Network Service Rate - Interval Metered	\$/kW	3.1758
Retail Transmission Rate - Line and Transformation Connection Service Rate - Interval Metered	\$/kW	2.7221



**Oshawa PUC Networks Inc.**  
**TARIFF OF RATES AND CHARGES**  
**Effective and Implementation Date January 1, 2020**  
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**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

**Oshawa PUC Networks Inc.**  
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## **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. 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.

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	\$	1,227.87
Distribution Volumetric Rate	\$/kW	2.6132
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2020) - effective until December 31, 2020	\$/kW	0.2944
Retail Transmission Rate - Network Service Rate - Interval Metered	\$/kW	3.1758
Retail Transmission Rate - Line and Transformation Connection Service Rate - Interval Metered	\$/kW	2.7221

**Oshawa PUC Networks Inc.**  
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**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

**Oshawa PUC Networks Inc.**  
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## 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.

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	\$	9,343.15
Distribution Volumetric Rate	\$/kW	2.2526
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2020) - effective until December 31, 2020	\$/kW	(0.0996)
Retail Transmission Rate - Network Service Rate - Interval Metered	\$/kW	3.3839
Retail Transmission Rate - Line and Transformation Connection Service Rate - Interval Metered	\$/kW	2.9701

**Oshawa PUC Networks Inc.**  
**TARIFF OF RATES AND CHARGES**  
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EB-2019-0062

**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

**Oshawa PUC Networks Inc.**  
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EB-2019-0062

## UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION

This classification applies to an account 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 the distributor 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 Global Adjustment and the HST.

### MONTHLY RATES AND CHARGES - Delivery Component

Service Charge (per connection)	\$	4.87
Distribution Volumetric Rate	\$/kWh	0.0200
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2020) - effective until December 31, 2020	\$/kWh	(0.0032)
Retail Transmission Rate - Network Service Rate	\$/kWh	0.0068
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.0061

### 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

**Oshawa PUC Networks Inc.**  
**TARIFF OF RATES AND CHARGES**  
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EB-2019-0062

## SENTINEL LIGHTING SERVICE CLASSIFICATION

This classification refers to accounts that are an unmetered lighting load supplied to a sentinel light. 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 (per connection)	\$	5.88
Distribution Volumetric Rate	\$/kW	8.4045
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2020) - effective until December 31, 2020	\$/kW	(0.4706)
Retail Transmission Rate - Network Service Rate	\$/kW	1.7090
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	2.5155

### 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

**Oshawa PUC Networks Inc.**  
**TARIFF OF RATES AND CHARGES**  
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EB-2019-0062

## 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.

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 (per connection)	\$	2.11
Distribution Volumetric Rate	\$/kW	32.5022
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2020) - effective until December 31, 2020	\$/kW	(20.0597)
Retail Transmission Rate - Network Service Rate	\$/kW	1.6801
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	2.4729

### 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



**Oshawa PUC Networks Inc.**  
**TARIFF OF RATES AND CHARGES**  
**Effective and Implementation Date January 1, 2020**  
**This schedule supersedes and replaces all previously**  
**approved schedules of Rates, Charges and Loss Factors**

EB-2019-0062

**microFIT SERVICE CLASSIFICATION**

This classification applies to an electricity generation facility contracted under the Independent Electricity System Operator's microFIT program and connected to the distributor's distribution system. Further servicing details are available in the distributor's Conditions of Service.

**APPLICATION**

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

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.

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	\$	5.40
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EB-2019-0062

**ALLOWANCES**

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

**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.

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.

**Customer Administration**

Arrears certificate	\$	15.00
Easement letter	\$	15.00
Account history	\$	15.00
Credit reference letter	\$	15.00
Credit check (plus credit agency costs)	\$	15.00
Returned cheque charge (plus bank charges)	\$	15.00
Legal letter charge	\$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	30.00
Special meter reads	\$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	30.00

**Non-Payment of Account**

Late payment - per month (effective annual rate 19.56% per annum or 0.04896% compounded daily rate)	%	1.50
Reconnection at meter - during regular hours	\$	65.00
Reconnection at meter - after regular hours	\$	185.00
Reconnection at pole - during regular hours	\$	185.00
Reconnection at pole - after regular hours	\$	415.00

**Other**

Specific charge for access to the power poles - \$/pole/year	\$	44.50
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**Oshawa PUC Networks Inc.**  
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EB-2019-0062

## RETAIL SERVICE CHARGES (if applicable)

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.

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.

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	\$	102.00
Monthly fixed charge, per retailer	\$	40.80
Monthly variable charge, per customer, per retailer	\$/cust.	1.02
Distributor-consolidated billing monthly charge, per customer, per retailer	\$/cust.	0.61
Retailer-consolidated billing monthly credit, per customer, per retailer	\$/cust.	(0.61)
Service Transaction Requests (STR)		
Request fee, per request, applied to the requesting party	\$	0.51
Processing fee, per request, applied to the requesting party	\$	1.02
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)	\$	4.08
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)	\$	2.04

## 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	1.0486
Total Loss Factor – Secondary Metered Customer > 5,000 kW	1.0145
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0440
Total Loss Factor – Primary Metered Customer > 5,000 kW	1.0045

**Schedule B**

**To Decision and Rate Order**

**Accounting Order**

**OEB File No: EB-2019-0062**

**DATED: December 12, 2019**

## Accounting Order

### **Account 1508 - Other Other Regulatory Assets, Sub-Account Lost Revenue for Collection of Account and Reconnection Charges**

Oshawa PUC shall establish a new variance account: Account 1508 – Other Regulatory Assets, Sub-account Lost Revenue for Collection of Account and Reconnection Charges, effective July 1, 2019. This account is established to recover the lost revenue associated with the elimination of the Collection of Account charge and the waiving of the Reconnection charge to eligible low-income customers until Oshawa PUC's next rebasing application.

The account will record the difference between i) actual Collection of Account and Reconnection charges, and ii) the Collection of Account and Reconnection charges approved in Oshawa PUC's 2015 Custom IR application.

The account will be disposed at Oshawa PUC's next rebasing application, subject to a prudence review of the balance, including consideration on the appropriate approved charges used in the calculation of lost revenues. The account will be discontinued after Oshawa PUC's next rebasing application.

Carrying charges at the OEB's prescribed interest rates will be applied to this sub-account.

The journal entries to be recorded are identified below:

Dr. Account 1508 Other Regulatory Assets – Sub-account Lost Revenue for Collection of Account and Reconnection Charges

Cr. Account 4235 Miscellaneous Service Revenues

To record the lost revenue associated with the Collection of Account and Reconnection charges.

Dr. Account 1508 Other Regulatory Assets – Sub-account Lost Revenue for Collection of Account and Reconnection Charges – Carrying Charges

Cr. Account 4405 Interest Income

To record carrying charges on the principal balance in Account 1508 Sub-account Lost Revenue for Collection of Account and Connection Charges.