



Ontario
Energy
Board | Commission
de l'énergie
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DECISION AND RATE ORDER

EB-2019-0040

HEARST POWER DISTRIBUTION COMPANY LTD.

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

By Delegation, Before: Theodore Antonopoulos

[date]

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 Hearst Power Distribution Company Ltd. (Hearst Power) for new rates effective May 1, 2020.

Hearst Power serves approximately 2,700 mostly residential and commercial electricity customers in Town of Hearst. 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](#).

Hearst Power'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 of \$0.54 before taxes and the Ontario Electricity Rebate¹ for a residential customer consuming 750 kWh, effective May 1, 2020.

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.² A distributor will then review and complete the Rate Generator Model, and include it with its application.

¹ O. Reg 363/16, s. 3, effective November 1, 2019

² 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.

Hearst Power filed its application on November 4, 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) and [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 Hearst Power's proposals relating to each of them:

- Price Cap Adjustment
- Retail Transmission Service Rates
- Group 1 Deferral and Variance Accounts

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 charges³ 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

Hearst Power seeks to increase its rates, effective May 1, 2020, based on a mechanistic rate adjustment using the OEB-approved ***inflation minus X-factor*** formula applicable to Price Cap IR applications.

³ 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.

The components of the Price Cap IR adjustment formula applicable to Hearst Power are set out in Table 4.1, below. Inserting these components into the formula results in a 1.85% increase to Hearst Power's rates: $1.85\% = 2.00\% - (0.00\% + 0.15\%)$.

Table 4.1: Price Cap IR Adjustment Formula

| Components | | Amount |
|-------------------------------|--------------------------------------|--------|
| Inflation Factor ⁴ | | 2.00% |
| X-Factor | Productivity ⁵ | 0.00% |
| | Stretch (0.00% – 0.60%) ⁶ | 0.15% |

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

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

⁵ 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.

⁶ 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 distributor is expected to achieve. The stretch factor assigned to Hearst Power is 0.15%.

Findings

The OEB finds that Hearst Power'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 Hearst Power's new rates shall be effective May 1, 2020.

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

5 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.

Hearst Power is partially embedded within Hydro One Networks Inc.'s distribution system and is requesting approval to adjust the RTSRs that it charges its customers to reflect the currently approved rates that it pays for transmission services included in Table 5.1 and Table 5.2.

Table 5.1: UTRs⁸

| UTRs (2020) | per kW |
|--|--------|
| Network Service Rate | \$3.92 |
| <u>Connection Service Rates</u> | |
| Line Connection Service Rate | \$0.97 |
| Transformation Connection Service Rate | \$2.33 |

⁷ 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.

⁸ EB-2019-0296, Decision and Interim Rate Order, December 19, 2019.

Table 5.2: Hydro One Networks Inc. Sub-Transmission Host-RTSRs⁹

| Sub-Transmission Host RTSRs (2020) | per kW |
|---|---------------|
| Network Service Rate | \$3.40 |
| <u>Connection Service Rates</u> | |
| Line Connection Service Rate | \$0.80 |
| Transformation Connection Service Rate | \$2.02 |

Findings

Hearst Power's proposed adjustment to its RTSRs is approved. Hearst Power's RTSRs were adjusted to reflect the OEB-approved interim 2020 UTRs and host-RTSRs.

The OEB finds that the interim 2020 UTRs and Hydro One Networks Inc.'s 2020 host sub-transmission RTSRs were incorporated into the rate model to adjust the RTSRs that Hearst Power will charge its customers.

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

6 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

⁹ EB-2019-0043, Decision and Order, December 17, 2019.

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 2018 actual year-end total balance for Hearst Power's Group 1 accounts including interest projected to April 30, 2020 is a debit of \$126,852. This amount represents a total debit claim of \$0.0016 per kWh, which exceeds the disposition threshold. Hearst Power requested disposition of this debit amount over a 1 year period.

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).¹²

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 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.

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 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.

Hearst Power proposes the recovery of its GA variance account balance of \$7,732 as at December 31, 2018, including interest to April 30, 2020, in accordance with the following table.

Table 6.1: Recovery of GA Variance

| Proposed Amounts | Proposed Method for Recovery |
|---|-------------------------------------|
| \$4,893 recovered from customers who were Class B for the entire period from January 2018 to December 2018 | per kWh rate rider |
| \$2,839 recovered from customers formerly in Class B during the period January 2018 to June 2018 who were reclassified to Class A | 12 equal installments ¹³ |

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 \$245, relating to the IESO's wholesale energy market for the CBR program. Hearst Power had Class A customers during the period from January 2018 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.

c) Group 1 Accounts

The Group 1 accounts being sought for disposition (excluding global adjustment) include the following flow through variance accounts: Low Voltage Charges, Smart Meter Entity Charges, Wholesale Market Service Charges, Retail Transmission Service Charges, Commodity Power Charges, and Account 1595 residual balances. These Group 1 accounts have a total debit balance of \$119,120, which results in a charge to customers. This balance combined with the balance for the global adjustment account results in the total debit balance for Group 1 accounts of \$126,852.

The balances proposed for disposition reconcile with the amounts reported as part of the OEB's *Electricity Reporting and Record-Keeping Requirements*.¹⁴ Hearst Power

¹³ 2020 IRM Rate Generator Model, Tab 6.1a "GA Allocation".

¹⁴ Electricity Reporting and Record Keeping Requirements, Version dated May 3, 2016.

further submits that its proposal for a one-year disposition period is in accordance with the OEB's policy.¹⁵

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.¹⁶ The OEB issued accounting guidance¹⁷ 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.

Hearst Power confirmed it had implemented the new accounting guidance by August 31, 2019 and applied the accounting practices to 2017 and 2018. In its 2019 rate application, Hearst Power received approval to dispose of 2017 Group 1 balances on an interim basis. Hearst Power has reviewed the 2017 and 2018 balances in the context of the new accounting guidance and has determined that adjustments of (\$21,593) and \$11,300 are needed for Account 1588 in 2017 and 2018 respectively. The adjustments reflect the appropriate true-up for the Hourly Ontario Energy Price component of the RPP settlement claims with the IESO. Hearst Power has requested final disposition of its adjusted 2017 and 2018 balances.

Findings

The OEB approves the disposition of a debit balance of \$126,852 as of December 31, 2018, including interest projected to April 30, 2020 for Group 1 accounts on a final basis. The OEB also approves on a final basis, the 2017 balances disposed in Hearst Power's 2019 rate proceeding.

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

¹⁵ Report of the OEB – "Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR)." EB-2008-0046, July 31, 2009.

¹⁶ 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.

¹⁷ Accounting Procedures Handbook Update – Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589, February 21, 2019.

Table 6.2: Group 1 Deferral and Variance Account Balances

| Account Name | Account Number | Principal Balance (\$) A | Interest Balance (\$) B | Total Claim (\$) C=A+B |
|--|-----------------------|---------------------------------|--------------------------------|-------------------------------|
| LV Variance Account | 1550 | 100,698 | 5,833 | 106,531 |
| Smart Meter Entity Variance Charge | 1551 | (1,763) | (81) | (1,844) |
| RSVA - Wholesale Market Service Charge | 1580 | 3,647 | 166 | 3,814 |
| Variance WMS - Sub-account CBR Class B | 1580 | 249 | (4) | 245 |
| RSVA - Retail Transmission Network Charge | 1584 | 22,051 | 887 | 22,938 |
| RSVA - Retail Transmission Connection Charge | 1586 | 17,688 | 548 | 18,236 |
| RSVA - Power | 1588 | (36,473) | (1,647) | (38,120) |
| RSVA - Global Adjustment | 1589 | 7,308 | 424 | 7,732 |
| Disposition and Recovery of Regulatory Balances (2017) | 1595 | 5,125 | 2,195 | 7,319 |
| Totals for all Group 1 accounts | | 118,531 | 8,321 | 126,852 |

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*.¹⁸ 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. Hearst Power shall ensure these adjustments are included in the reporting period ending June 30, 2020 (Quarter 2).

¹⁸ Accounting Procedures Handbook for Electricity Distributors, effective January 1, 2012.

The OEB approves these balances to be disposed through final rate riders and charges as calculated in the Rate Generator Model. The final rate riders and charges will be in effect over a one-year period from May 1, 2020 to April 30, 2021.¹⁹

7 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 Hearst Power'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 Hearst Power 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 7.1: Regulatory Charges

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

Each of these rates is a component of the "Regulatory Charge" on a customer's bill, established annually by the OEB through a separate, generic order. The RRRP, WMS and CBR rates were set by the OEB on December 17, 2019.²⁰

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

¹⁹ 2020 IRM Rate Generator Model Tab 6.1 GA, Tab 6.1a GA Allocation, and Tab 7 Calculation of Def-Var RR.

²⁰ EB-2019-0278, Decision and Order, December 17, 2019.

Entity Charge was set by the OEB on March 1, 2018.²¹

In the *Report of the Board: Review of Electricity Distribution Cost Allocation Policy*,²² the OEB indicated that it will review the default province-wide microFIT charge annually to ensure it continues to reflect actual costs. In accordance with the established methodology, the OEB has calculated an updated value of \$4.55 per month²³ for the 2020 rate year. The Tariff of Rates and Charges attached as Schedule A reflects this updated charge.

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The Tariff of Rates and Charges set out in Schedule A of this Decision and Rate Order is approved effective May 1, 2020 for electricity consumed or estimated to have been consumed on and after such date. Hearst Power Distribution Company Ltd. shall notify its customers of the rate changes no later than the delivery of the first bill reflecting the new final rates.

DATED at Toronto, Month Day, 2020

ONTARIO ENERGY BOARD

Christine E. Long
Registrar and Board Secretary

²¹ EB-2017-0290, Decision and Order, March 1, 2018.

²² EB-2010-0219, Report of the Board "Review of Electricity Distribution Cost Allocation Policy", March 31, 2011.

²³ OEB letter, issued February 24, 2020.

Schedule A

To Decision and Rate Order

Tariff of Rates and Charges

OEB File No: EB-2019-0040

DATED: [Date]

Hearst Power Distribution Co. Ltd.

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2020

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

EB-2019-0040

RESIDENTIAL SERVICE CLASSIFICATION

This classification refers to accounts for customers residing in single dwelling units that consist of a detached house, semi detached, duplex, triplex or quadruplex house, or individually metered apartment building. Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the utility's Conditions of Service.

APPLICATION

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

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

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 | \$ | 24.73 |
| Smart Metering Entity Charge - effective until December 31, 2022 | \$ | 0.57 |
| Low Voltage Service Rate | \$/kWh | 0.0007 |
| Rate Rider for Disposition of Global Adjustment Account (2020) - effective until April 30, 2021 | | |
| Applicable only for Non-RPP Customers | \$/kWh | 0.0006 |
| Rate Rider for Disposition of Deferral/Variance Accounts (2020) - effective until April 30, 2021 | \$/kWh | 0.0015 |
| Retail Transmission Rate - Network Service Rate | \$/kWh | 0.0065 |
| Retail Transmission Rate - Line and Transformation Connection Service Rate | \$/kWh | 0.0059 |

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 |

Hearst Power Distribution Co. Ltd.

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2020

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

EB-2019-0040

GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION

This classification refers to a non-residential account taking electricity at 750 volts or less whose monthly peak demand is less than or expected 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 utility's Conditions of Service.

APPLICATION

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

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

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 | \$ | 19.42 |
| Smart Metering Entity Charge - effective until December 31, 2022 | \$ | 0.57 |
| Distribution Volumetric Rate | \$/kWh | 0.0066 |
| Low Voltage Service Rate | \$/kWh | 0.0006 |
| Rate Rider for Disposition of Global Adjustment Account (2020) - effective until April 30, 2021 | | |
| Applicable only for Non-RPP Customers | \$/kWh | 0.0006 |
| Rate Rider for Disposition of Deferral/Variance Accounts (2020) - effective until April 30, 2021 | \$/kWh | 0.0015 |
| Retail Transmission Rate - Network Service Rate | \$/kWh | 0.0061 |
| Retail Transmission Rate - Line and Transformation Connection Service Rate | \$/kWh | 0.0052 |

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 |

Hearst Power Distribution Co. Ltd.

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2020

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

EB-2019-0040

GENERAL SERVICE 50 TO 1,499 KW SERVICE CLASSIFICATION

This classification refers to a non residential account whose monthly average peak is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 1,500 kW. Class A and Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the utility's Conditions of Service.

APPLICATION

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

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

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 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 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 | \$ | 58.19 |
| Distribution Volumetric Rate | \$/kW | 1.8310 |
| Low Voltage Service Rate | \$/kW | 0.2296 |
| Rate Rider for Disposition of Global Adjustment Account (2020) - effective until April 30, 2021 | | |
| Applicable only for Non-RPP Customers | \$/kWh | 0.0006 |
| Rate Rider for Disposition of Deferral/Variance Accounts (2020) - effective until April 30, 2021 | \$/kW | 0.5695 |
| Retail Transmission Rate - Network Service Rate | \$/kW | 2.4894 |
| Retail Transmission Rate - Line and Transformation Connection Service Rate | \$/kW | 2.1063 |

Hearst Power Distribution Co. Ltd.

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2020

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

EB-2019-0040

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 |

DRAFT

Hearst Power Distribution Co. Ltd.

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2020

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

EB-2019-0040

INTERMEDIATE USER SERVICE CLASSIFICATION

This classification refers to a non residential account whose monthly average peak is equal to or greater than, or is forecast to be equal to or greater than, 1,500 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 utility's Conditions of Service.

APPLICATION

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

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

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 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 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 | \$ | 236.69 |
| Distribution Volumetric Rate | \$/kW | 1.2164 |
| Low Voltage Service Rate | \$/kW | 0.2708 |
| Rate Rider for Disposition of Deferral/Variance Accounts (2020) - effective until April 30, 2021 | \$/kW | 0.5499 |
| Retail Transmission Rate - Network Service Rate | \$/kW | 2.7843 |
| Retail Transmission Rate - Line and Transformation Connection Service Rate | \$/kW | 2.4844 |

Hearst Power Distribution Co. Ltd.

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2020

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

EB-2019-0040

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 |

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Hearst Power Distribution Co. Ltd.

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2020

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EB-2019-0040

SENTINEL LIGHTING SERVICE CLASSIFICATION

This classification is a sub-category of the street lighting load. These customers are billed on a fixed load based on the size of bulb. Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the utility's Conditions of Service.

APPLICATION

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

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It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

| | | |
|--|-------|--------|
| Service Charge (per connection) | \$ | 7.95 |
| Distribution Volumetric Rate | \$/kW | 8.5001 |
| Low Voltage Service Rate | \$/kW | 0.1795 |
| Rate Rider for Disposition of Deferral/Variance Accounts (2020) - effective until April 30, 2021 | \$/kW | 0.4612 |
| Retail Transmission Rate - Network Service Rate | \$/kW | 1.8868 |
| Retail Transmission Rate - Line and Transformation Connection Service Rate | \$/kW | 1.6473 |

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 |

Hearst Power Distribution Co. Ltd.

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2020

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EB-2019-0040

STREET LIGHTING SERVICE CLASSIFICATION

This classification refers to roadway lighting within the town, and private roadway lighting operation, controlled by photo cells. The consumption for these customers is based on the calculated connected load times the required lighting times established in the approved Ontario Energy Board street lighting load shape template. Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the utility's Conditions of Service.

APPLICATION

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MONTHLY RATES AND CHARGES - Delivery Component

| | | |
|--|--------|--------|
| Service Charge (per connection) | \$ | 4.84 |
| Distribution Volumetric Rate | \$/kW | 2.6811 |
| Low Voltage Service Rate | \$/kW | 0.1759 |
| Rate Rider for Disposition of Global Adjustment Account (2020) - effective until April 30, 2021 | | |
| Applicable only for Non-RPP Customers | \$/kWh | 0.0006 |
| Rate Rider for Disposition of Deferral/Variance Accounts (2020) - effective until April 30, 2021 | \$/kW | 0.5481 |
| Retail Transmission Rate - Network Service Rate | \$/kW | 1.8774 |
| Retail Transmission Rate - Line and Transformation Connection Service Rate | \$/kW | 1.6136 |

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 |

Hearst Power Distribution Co. Ltd.

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2020

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EB-2019-0040

microFIT SERVICE CLASSIFICATION

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

APPLICATION

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MONTHLY RATES AND CHARGES - Delivery Component

| | | |
|----------------|----|------|
| Service Charge | \$ | 4.55 |
|----------------|----|------|

ALLOWANCES

| | | |
|---|-------|--------|
| Transformer Allowance for Ownership - per kW of billing demand/month | \$/kW | (0.45) |
| Primary Metering Allowance for Transformer Losses - applied to measured demand & energy | % | (1.00) |

Hearst Power Distribution Co. Ltd.

TARIFF OF RATES AND CHARGES

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EB-2019-0040

SPECIFIC SERVICE CHARGES

APPLICATION

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Customer Administration

| | | |
|---|----|-------|
| Arrears certificate | \$ | 15.00 |
| Easement letter | \$ | 15.00 |
| Credit reference/credit check (plus credit agency costs) | \$ | 15.00 |
| Returned cheque (plus bank charges) | \$ | 15.00 |
| Account set up charge/change of occupancy charge (plus credit agency costs if applicable) | \$ | 30.00 |
| Meter dispute charge plus Measurement Canada fees (if meter found correct) | \$ | 30.00 |
| Special meter reads | \$ | 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 | \$ | 40.00 |
| Reconnection at pole - during regular hours | | time and materials |

Other

| | | |
|--|----|--------------------|
| Temporary service install and remove - overhead - no transformer | | time and materials |
| Temporary service install and remove - underground - no transformer | | time and materials |
| Specific charge for access to the power poles - \$/pole/year (with the exception of wireless attachments) | \$ | 44.50 |

Hearst Power Distribution Co. Ltd.

TARIFF OF RATES AND CHARGES

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EB-2019-0040

RETAIL SERVICE CHARGES (if applicable)

APPLICATION

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Retail Service Charges refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity

| | | |
|---|----------|-----------|
| One-time charge, per retailer, to establish the service agreement between the distributor and the retailer | \$ | 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 | 1.0414 |
| Total Loss Factor - Primary Metered Customer < 5,000 kW | 1.0310 |