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# **PARTIAL DECISION AND RATE ORDER**

## **EB-2019-0059**

### **OAKVILLE HYDRO ELECTRICITY DISTRIBUTION INC.**

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

**BEFORE: Lynne Anderson  
Presiding Member**

**Michael Janigan  
Member**

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**April 16, 2020**

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# 1 INTRODUCTION AND SUMMARY

Oakville Hydro Electricity Distribution Inc. (Oakville Hydro) filed an incentive rate-setting mechanism (IRM) application on August 12, 2019 under section 78 of the *Ontario Energy Board Act, 1998* (OEB Act) seeking approval for changes to its electricity distribution rates effective January 1, 2020. Oakville Hydro serves approximately 70,000 mostly residential and commercial electricity customers in the Town of Oakville.

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](#).

Oakville Hydro's application is based on the 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. Based on the five-year term, Oakville Hydro's was scheduled to file its next cost of service application for 2019 rates. Oakville Hydro requested approval to defer this application first to 2020, then to 2021, which the OEB granted. Oakville Hydro has requested a third deferral, and this request is under consideration by the OEB.

Oakville Hydro's application included an incremental capital module (ICM) request for four capital projects. Three of the projects are road widening projects undertaken at the request of road authorities and the fourth project is a relocation and replacement of feeder assets at the Bronte Transformer Station (TS).

The OEB issued a Partial Decision and Interim Rate Order addressing the non-ICM aspects of Oakville Hydro's application on December 12, 2019. This Decision considers Oakville Hydro's ICM request. The OEB denies Oakville Hydro's request for ICM funding. Based on the OEB's review of Oakville Hydro's historical return on equity and Oakville Hydro's lack of a Distribution System Plan (DSP) for 2019 and 2020, the OEB finds that granting Oakville Hydro ICM's request would not result in just and reasonable rates.

## 2 THE PROCESS

Oakville Hydro filed its application on August 12, 2019. Notice of Oakville Hydro's application was issued on August 28, 2019. Association of Major Power Consumers in Ontario (AMPCO), Consumers Council of Canada (CCC), Energy Probe Research Foundation (Energy Probe), Pollution Probe, School Energy Coalition (SEC), and Vulnerable Energy Consumers Coalition (VECC) requested intervenor status and cost eligibility. In Procedural Order (PO) No. 1, issued September 17, 2019, the OEB approved AMPCO, CCC, Energy Probe, SEC and VECC as intervenors and found that each of them was eligible to apply for an award of cost. The OEB denied Pollution Probe's request for intervenor status.

On September 23, 2019, the five intervenors, collectively, filed a notice of motion requesting the proceeding be bifurcated between Oakville Hydro's ICM request and all other aspects of the application. The notice of motion also requested that the OEB make provisions for parties to make submissions on a threshold question of: "whether it is appropriate for [Oakville Hydro], in its second rebasing deferral year, and without prior disclosure to the Board of its intention to seek ICM funding, to apply for ICM funding in this IRM Application."<sup>1</sup>

The OEB issued PO No. 2 on September 27, 2019 bifurcating Oakville Hydro's application between the ICM elements and the non-ICM elements and setting out a schedule for submissions on the preliminary question of whether it is appropriate for Oakville Hydro to apply for ICM funding in this circumstance. Following submissions on the preliminary question, the OEB issued a Decision and Order on November 14, 2019 finding that it will hear Oakville Hydro's request for ICM funding. In that same Decision and Order, the OEB set a schedule for interrogatories related to the ICM elements of the application.

The OEB issued PO No. 3 on December 17, 2019 setting a schedule for submissions on the ICM elements of the application. Oakville Hydro filed an argument in chief followed by written submissions from OEB staff, AMPCO, CCC, Energy Probe, SEC and VECC and a reply submission from Oakville Hydro.

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<sup>1</sup> Notice of Motion, September 23, 2020, p. 1.

### 3 INCREMENTAL CAPITAL MODULE

#### Background

The OEB's ICM policy<sup>2</sup> was established to address the treatment of a distributor's capital investment needs that arise during a Price Cap IR rate-setting plan and which are incremental to a calculated materiality threshold. An ICM is a means by which a distributor can collect additional revenue from customers to fund capital expenditures in the years between cost of service applications. The ICM is available for discretionary or non-discretionary projects, and is not limited to extraordinary or unanticipated investments. However, ICM funding is not available for typical annual capital programs, nor is it available for projects that do not have a significant influence on the operations of the distributor.

In order to qualify for ICM funding, a distributor must satisfy the OEB's eligibility criteria of materiality, need and prudence.<sup>3</sup>

The ICM addresses the question of materiality in two steps. The first is by applying the ICM "materiality threshold formula,"<sup>4</sup> which serves to define the level of capital expenditures that a distributor should be able to manage within current rates. This test provides that any incremental capital amounts approved for recovery must fit within the total eligible incremental capital amount and must clearly have a significant influence on the operation of the distributor.<sup>5</sup> A second, project-specific, materiality test provides that minor expenditures, in comparison to the overall capital budget, should be considered ineligible for ICM treatment. Moreover, a certain degree of project expenditure over and above the OEB-defined threshold calculation is expected to be absorbed within the total capital budget.<sup>6</sup>

With regard to need, a distributor must satisfy the OEB that any incremental capital amount being requested is (i) based on one or more discrete project(s), (ii) directly related to the claimed driver, and (iii) clearly outside of the base upon which the distributor's rates were derived.<sup>7</sup> Additionally, a distributor must also pass the "means test." Under the means test, if a distributor's most recent available regulated return on

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<sup>2</sup> The OEB's policy for the funding of incremental capital is set out in the *Report of the Board New Policy Options for the Funding of Capital Investments: The Advanced Capital Module*, September 18, 2014 (Funding of Capital Report) and the subsequent *Report of the OEB New Policy Options for the Funding of Capital Investments: Supplemental Report* (Supplemental Report) (collectively referred to as the Funding of Capital policy).

<sup>3</sup> Funding of Capital Report, p. 16.

<sup>4</sup> The ICM materiality threshold formula refers to the updated multi-year materiality threshold formula as defined on p. 19 of the Supplemental Report.

<sup>5</sup> Funding of Capital Report, p. 17.

<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

equity (ROE) exceeds 300 basis points above the deemed ROE embedded in the distributor's rates, then funding for any incremental capital project would not be allowed.

Finally, a distributor needs to establish that the incremental capital amount it proposes to incur is prudent. To satisfy the "prudence test," a distributor must demonstrate that its decision to incur the incremental capital represents the most cost-effective option for its customers but not necessarily the least initial cost option.

### *The Half-Year Rule*

The OEB's policy allows for a full-year's depreciation and return on capital for all years of a Price Cap IR plan *except* the final year prior to rebasing.<sup>8</sup> In the final year prior to rebasing, the standard half-year rule is used for calculation of the depreciation and return on capital.<sup>9</sup>

### **The ICM Projects**

Oakville Hydro is seeking a total of \$7.1 million in ICM funding for the following four projects:

- Project 1: Town of Oakville Road Widening – Speers Road (\$2.0 million)
- Project 2: Halton Region Road Widening – Trafalgar Road (\$2.2 million)
- Project 3: Halton Region Road Widening – William Halton Parkway (\$1.2 million)
- Project 4: Hydro One Bronte TS Feeder Replacement and Relocation (\$1.7 million)

Projects 1, 2 and 3 are road widening projects undertaken by Oakville Hydro to fulfil its legal obligations under the *Public Service Works on Highways Act (PSWHA)*. The projects involve the relocation of Oakville Hydro's distribution assets at the request of the Town of Oakville (Project 1) and Halton Region (Projects 2 and 3).

Project 4 is a relocation and replacement of Oakville Hydro's feeder assets at the Bronte TS, which was made necessary because Hydro One Networks Inc. (Hydro One) replaced and relocated obsolete station assets at the Bronte TS that served Oakville Hydro's distribution system. Due to the relocation of Hydro One's station assets, Oakville Hydro undertook Project 4 in order to install new underground feeders, reconfigure Oakville Hydro's overhead circuits and install new feeder meters.

Oakville Hydro noted that, although this is a 2020 rate application, three of its proposed ICM projects (Projects 1, 2 and 4) have already been put in-service in 2019. Oakville

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<sup>8</sup> Supplemental Report, pp. 7-11. When the half-year rule is applied, only half of the annual depreciation is allowed for depreciation purposes. This ensures that the distributor recovers only a half-year of return on depreciation and capital as per the intent of the half-year rule.

<sup>9</sup> See note 8.

Hydro explained that it did not apply for ICM funding for these projects in its 2019 rate application due to uncertainty associated with the completion dates and materiality of the projects. In particular, Oakville Hydro noted that the road authorities had repeatedly deferred the in-service date of road widening projects in the past and it therefore could not be certain these projects would be completed in 2019.

Oakville Hydro acknowledged that the typical approach to applying for an ICM is for incremental funding to start in the year that an asset is planned to go into service, as indicated in the OEB's decision in Rideau St. Lawrence Distribution Inc.'s 2018 IRM application. However, Oakville Hydro noted that in the same decision, the OEB provided ICM funding for assets that had gone in-service in a prior year to the rate application.<sup>10</sup> In response to interrogatories, Oakville Hydro proposed to reduce the opening net book value of its 2019 projects (Projects 1, 2 and 4) by six months of depreciation to account for the fact that these projects had already been in-service in 2019.

Oakville Hydro stated that its most recently available ROE (for 2018) was 10.65%, which is within 300 basis points of the deemed ROE of 9.36%. As a result, Oakville Hydro submitted that it satisfied the means test.

Oakville Hydro calculated its maximum eligible incremental capital amount to be \$5,325,085 based on its calculated materiality threshold of \$17,301,915 and its total forecasted 2020 capital spending of \$22,627,000. Since Oakville Hydro's total ICM project costs of \$7,100,000 exceed the maximum eligible incremental capital, Oakville Hydro has requested ICM funding equal to its maximum eligible incremental capital of \$5,325,085. Oakville Hydro did not apply the half-year rule and submitted that this was appropriate because it intends to request deferral of its cost of service application beyond 2021.

OEB staff supported Oakville Hydro's ICM request for Projects 1, 2 and 4, but submitted that Project 3 (the project in-service in 2020) should be denied. OEB staff agreed that each of the proposed ICM projects meet the project-specific materiality threshold and that each project is discrete and are prudently incurred system access investments. Furthermore, OEB staff noted that for the road widening projects Oakville Hydro has a legal obligation to complete these projects. For Project 4, OEB staff noted that the project is required to connect Oakville Hydro's distribution system to the supply at the Bronte TS and submitted that Oakville Hydro minimized costs where possible.

With respect to materiality, OEB staff submitted that Oakville Hydro's 2019 in-service projects (Projects 1, 2 and 4) should be tested against Oakville Hydro's 2019 materiality threshold, while the 2020 in-service project (Project 3) should be tested against its 2020 materiality threshold. OEB staff noted that the materiality threshold is an estimate of the

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<sup>10</sup> EB-2018-0265, Decision and Rate Order, March 22, 2018, p. 4.

amount of capital a distributor can be expected to fund through base rates in each rate year, and that it is not appropriate to lump 2019 projects together with 2020 projects. OEB staff further submitted that this approach would be consistent and have the same result as if Oakville Hydro had made a separate ICM request in its 2019 rate application for the projects in-service in 2019. Using this methodology, OEB staff calculated Oakville Hydro's maximum eligible incremental capital for 2019 to be \$5,049,952. Since the total of the 2019 in-service ICM projects (Projects 1, 2 and 4) is \$5,900,000 and exceeds \$5,049,952, OEB staff submitted that Oakville Hydro should be eligible to recover a maximum of \$5,049,952 for the 2019 in-service ICM projects. Applying the same methodology to 2020, OEB staff submitted that Oakville Hydro's 2020 capital budget inclusive of the ICM project in-service in 2020 (Project 3) is less than Oakville Hydro's 2020 materiality threshold.<sup>11</sup> As a result, OEB staff submitted that Oakville Hydro's maximum eligible incremental capital for 2020 is \$0 and Project 3 should therefore be denied.

OEB staff noted that this proceeding was prolonged due to the ICM threshold question, which was not within Oakville Hydro's control. OEB staff supported a January 1, 2020 effective and implementation date for any approved ICM rate riders but submitted that, for any approved ICM projects already in-service in 2019, the appropriate treatment would be for Oakville Hydro to calculate the net book value of any approved assets as of January 1, 2020, taking into account any accumulated depreciation. Using these amounts, OEB staff submitted that Oakville Hydro should calculate the incremental revenue requirement associated with the 2019 projects starting January 1, 2020, foregoing any 2019 revenue (for the projects that had gone in-service in 2019). OEB staff did not take issue with Oakville Hydro's decision to not apply the half-year rule given that Oakville Hydro has indicated its intentions to request an additional deferral of rebasing to beyond the 2021 rate year.

All intervenors opposed Oakville Hydro's request for ICM funding. All intervenors pointed to Oakville Hydro's past ROE performance as an indication that incremental funding is not necessary and that Oakville Hydro would not experience financial hardship if the requested ICM funding were denied. In particular, SEC provided its own calculations of Oakville Hydro's ROE by, among other things, adjusting Oakville Hydro's allowance for working capital from 13% to 7.5% and by removing the "Items not in Base rates" amount.<sup>12</sup> Mainly due to these adjustments, SEC submitted that Oakville Hydro has been consistently overearning and exceeded 300 basis above the deemed ROE in 2018. Energy Probe additionally submitted that Oakville Hydro has already been able to

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<sup>11</sup> OEB staff calculated a 2020 materiality threshold of \$17,301,915 and a 2020 capital budget (inclusive of only Project 3, the project in-service in 2020) of \$16,727,000.

<sup>12</sup> Oakville Hydro provided its ROE calculations in Interrogatory Response CCC-3. The calculations included a line item labeled "Items not in Base Rates" in the amount of a \$1,323,181 deduction which SEC did not include in its calculations of Oakville Hydro's ROE.



complete three of the requested ICM projects in 2019 and therefore demonstrates that Oakville Hydro does not need incremental capital.

Most intervenors also pointed to the timing of Oakville Hydro's projects and submitted that it was inappropriate for Oakville Hydro to have filed a letter requesting deferral of its 2020 cost of service rebasing application without mentioning its intention to request ICM funding.<sup>13</sup> Some intervenors submitted that the OEB would have been unlikely to approve Oakville Hydro's deferral request had it disclosed its intention to request ICM funding given Oakville Hydro's high ROE and the fact that 2020 would be the second year Oakville Hydro has deferred its rebasing application. AMPCO and Energy Probe submitted that Oakville Hydro should not be eligible for ICMs because it has continually deferred its rebasing application.

Most intervenors submitted that ICM funding should not be approved for projects that have already been completed. For Oakville Hydro, intervenors noted that some of the requested ICM funding is for projects that had been completed in 2019. Intervenors submitted that ICM funding is not intended for projects completed in a prior year, and that Oakville Hydro's request is inconsistent with ICM policy. VECC noted the Rideau St. Lawrence proceeding referenced by Oakville Hydro ended with a settlement agreement. VECC stated that cases of settlement are prone to unique situations where the nature of the negotiations is unknown to parties outside of the settlement.

Most intervenors noted that Oakville Hydro does not currently have a DSP covering the 2020 rate year. These intervenors submitted that the lack of a DSP leaves parties unable to determine whether Oakville Hydro's overall capital plan is appropriate, and it is therefore not possible to make a determination as to whether Oakville Hydro's request for incremental funding is appropriate. In particular, SEC and VECC noted that Oakville Hydro has large increases in its 2019 and 2020 capital budgets in comparison to historical years. SEC and VECC argued that, without a DSP, Oakville Hydro has not sufficiently justified its capital plans and whether incremental funding is required. CCC submitted that a full cost of service review is required to assess Oakville Hydro's revenues, OM&A costs and its overall capital plan and to determine whether Oakville Hydro's rates can support the proposed ICM projects without incremental funding. Most intervenors and OEB staff submitted that Oakville Hydro's requested ICM projects are material and meet the project-specific materiality threshold. However, these parties disagreed with Oakville Hydro's argument to use 1% of its annual capital budget as the project-specific materiality threshold. Parties noted that the 1% was taken from a proceeding involving Alectra Utilities Corporation and that the threshold can differ greatly between different utilities. Energy Probe submitted that none of Oakville Hydro's

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<sup>13</sup> Oakville Hydro Letter to the OEB, Application for 2020 Electricity Distribution Rates, January 16, 2019.

requested ICM projects exceed the maximum eligible incremental capital of \$6.1 million and therefore do not meet the ICM criteria.

SEC and VECC submitted that Oakville Hydro's financial needs would be lower if it had applied new accelerated Capital Cost Allowance (CCA) rules<sup>14</sup>, rather than its current approach to record the impact of the new accelerated CCA rules in a deferral account. SEC noted that the OEB has mandated distributors to record the impact of the new accelerated CCA rules in a deferral account to avoid having to adjust formula rates during IRM terms. However, in the context of an ICM, SEC submitted that the new accelerated CCA should be applied because Oakville Hydro is seeking additional capital and any ICM revenue requirements should therefore be calculated using current tax rules. In SEC's view, the ICM is calculated on a quasi-cost of service basis.

SEC submitted that Oakville Hydro should not be approved ICM funding for the reasons discussed above. In the alternative, if the OEB were to approve ICM funding for Oakville Hydro, SEC submitted that the half-year rule should apply to Oakville Hydro unless the OEB approves, in this proceeding, Oakville Hydro's request to defer its cost of service application beyond 2021. SEC also suggested a methodology to calculate Oakville Hydro's maximum eligible incremental capital, should the OEB approve ICM funding for Oakville Hydro. SEC's methodology is the same as the approach taken by OEB staff, except that SEC has used the OEB's 2020 inflation factor of 2% to calculate Oakville Hydro's 2019 materiality threshold, as opposed to OEB staff, who used the OEB's 2019 inflation factor of 1.5%. By SEC's calculations, Oakville Hydro has a maximum eligible incremental capital amount in 2019 of \$4,176,172.

VECC submitted that the need for Project 4 in particular was not justified. VECC noted that Project 4 involves the replacement of overhead assets with underground assets. VECC submitted that, although Oakville Hydro stated that the underground assets were a requirement of Hydro One, Oakville Hydro did not provide evidence demonstrating the requirement.

Energy Probe noted that Oakville Hydro regularly undertakes road widening projects. In Energy Probe's view, road widening projects are a normal part of annual capital expenditures for Oakville Hydro and therefore disqualifies Projects 1, 2 and 3 for ICM funding.

In its reply submission, Oakville Hydro reiterated that its ICM requests satisfy the ICM criteria. With regard to materiality, Oakville Hydro accepted the general approach taken by SEC and OEB staff but proposed one additional change. Oakville Hydro pointed out

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<sup>14</sup> The new rules provides for a first-year increase in capital cost allowance deductions on eligible capital assets acquired after November 20, 2018 for tax purposes, which would effectively result in lower taxes when compared to the old rules.

that neither SEC's nor OEB staff's calculations of the 2019 materiality threshold took into account the growth due to its embedded distributor class, as was provided in an interrogatory.<sup>15</sup> Oakville Hydro included the growth of its embedded distributor class in its calculations and used the 2019 inflation factor of 1.5% to arrive at a maximum eligible incremental capital amount for 2019 of \$4,202,378. Oakville Hydro provided the following table to show the differences between its calculations and that of SEC and OEB staff:<sup>16</sup>

**Table 1 – 2019 Incremental Capital Amounts**

	OEB Staff	SEC	Oakville Hydro
Total Capital Budget	\$ 19,974,000	\$ 21,174,000	\$ 19,974,000
Materiality Threshold	\$ 14,924,048	\$ 16,997,828	\$ 15,771,622
Maximum Incremental Capital	\$ 5,049,952	\$ 4,176,172	\$ 4,202,378

Oakville Hydro further agreed with OEB staff and SEC that the eligible amount for 2020 is zero.

Oakville Hydro also reiterated that its recent 2018 ROE remains within 300 basis of its deemed ROE and therefore meets the means test. Oakville Hydro submitted that there is no reason to deviate from the means test in the ICM policy as suggested by the intervenors and their analysis of Oakville Hydro's ROE.

In response to SEC's and VECC's submission to apply new accelerated CCA rules, Oakville Hydro submitted that it has no position on the matter and will accept the decision of OEB.

In response to intervenors' submissions on the lack of a current DSP, Oakville Hydro submitted that the proposed ICM projects are not part of its typical capital plan and a DSP is therefore not necessary. Oakville Hydro also noted that its 2019 budget, if reduced by the cost of the ICM projects, is in line with its actual 2018 capital expenditures of \$14,777,378.

Oakville Hydro agreed with OEB staff that an effective and implementation date of January 1, 2020 would be appropriate. On this matter, intervenors were silent.

<sup>15</sup> See Interrogatory Response Staff Question 7.

<sup>16</sup> Reply submission, p. 4.

## Embedded Distributor

Oakville Hydro proposed to not allocate any portion of the ICM costs to its embedded distributor. Oakville Hydro indicated that none of the assets contemplated in its ICM projects would benefit the embedded distributor and that, in its last cost of service, it was allowed to use direct allocation on the costs associated with its embedded distributor, Milton Hydro Distribution Inc. (Milton Hydro).

OEB staff submitted Oakville Hydro's proposal is appropriate because costs attributable to the embedded distributor have been directly allocated and therefore no costs related to the embedded distributor are being socialized with the rest of Oakville Hydro's customers.

VECC submitted that there had been no opportunity in this proceeding to test the direct allocation methodology used for Milton Hydro. As such, VECC submitted that it is not possible to conclude whether it is appropriate to exclude the embedded distributor from the costs of the ICM projects, and the matter should be examined in a cost of service application.

SEC submitted that the embedded distributor should not be excluded from paying costs associated with the ICM. In SEC's view, cost allocation naturally involves puts and takes in costs and benefits between cost categories which balance each other out and it is not an appropriate cost allocation to selectively choose which capital spending applies to which class.

In its reply submission, Oakville Hydro reiterated that it believes it is appropriate to exclude the embedded distributor from being allocated ICM costs, but that it will accept the decision of the OEB in this matter.

## Findings

The request for ICM funding is denied. The OEB does not have any policies for an extended Price Cap IR term, unless it is associated with a distributor consolidation. The OEB therefore plans to assess incremental requests in these situations on a case by case basis, including Oakville Hydro's request for ICM funding. The OEB concludes that providing Oakville Hydro incremental funding for capital does not result in just and reasonable rates. This is based on the lack of a DSP for both 2019 and 2020, and Oakville Hydro's regulated ROE of 10.65% in 2018, and forecast regulated ROE of 9.3% for 2019.

The OEB has three rate-setting options, as initially defined in the OEB's *Renewed Regulatory Framework for Electricity (RRFE)*,<sup>17</sup> with further guidance provided in the Handbook for Utility Rate Applications. Oakville Hydro opted for Price Cap IR rate-setting<sup>18</sup>. Under Price Cap IR, a distributor's rates are set through a cost of service rate application in the first year (also called rebasing), with mechanistic price cap adjustments for the ensuing four years. The term established for a Price Cap IR plan is therefore five years. The RRFE contemplated a distributor seeking an early termination of its Price Cap IR term (i.e. sooner than five years) but did not set out policies for extending that term. The OEB did establish another rate-setting option, the Annual IR Index, with no fixed term. Distributors on Annual IR Index are allowed a lower price cap adjustment and are not eligible for an ICM.

Nevertheless, each year the OEB considers requests from distributors to defer their scheduled cost of service rate application. The OEB reviews the financial and non-financial performance of the distributor. Two such requests were considered and approved for Oakville Hydro (for 2019 and 2020 rates), and a third is still under consideration (for 2021 rates). In approving the first deferral the OEB stated that:

If Oakville Hydro intends to seek a rate adjustment for 2019 rates, the OEB expects Oakville Hydro to adhere to the process for Price Cap Incentive Rate-setting applications for the 2019 rate year.

If Oakville Hydro subsequently seeks a further deferral the OEB will consider whether the Annual Incentive Rate-setting Index method that was developed for distributors intending longer periods without rebasing should be applied. The OEB will also consider whether the filing of a distribution system plan would be required at that time.<sup>19</sup>

In neither of the requests to defer did Oakville Hydro indicate that it might need incremental funding beyond that provided by the mechanistic price cap adjustment. Given that the OEB had stated it was considering whether a DSP would be required, the onus was on Oakville Hydro to disclose that it might have incremental capital needs. It is not a sufficient reason for not providing information clearly germane to the OEB's determinations that the OEB had not ordered disclosure of the information. As noted by

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<sup>17</sup> *Report of the Board: Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach*, October 18, 2012.

<sup>18</sup> Originally called 4<sup>th</sup> Generation IR in the Renewed Regulatory Framework Report, the name was changed to Price Cap IR in subsequent documents.

<sup>19</sup> Letter August 14, 2018.

the OEB in other proceedings, there is an information asymmetry between regulated utilities and ratepayers, and a regulated utility has affirmative disclosure obligations.<sup>20</sup>

However, as noted in its Decision of November 14, 2020, the OEB was prepared to hear this ICM request on its merits because of the nature of the projects and the uncertainty surrounding whether these projects would proceed at the time the deferral request for 2020 was made.<sup>21</sup> The November 14 Decision did not dispense with a comprehensive examination of issues including in service dates, the need for a DSP, and Oakville Hydro's ROE in the adjudication of the ICM request.

In determining that Oakville Hydro's ICM should be denied, the OEB considered its current policies. In the Funding of Capital policy, if a distributor's most recent available regulated ROE exceeds 300 basis points above the deemed ROE embedded in the distributor's rates, then funding for any incremental capital project would not be allowed. In this policy, the OEB recognized that a means test might be a disincentive to a distributor seeking efficiency improvements during the IRM term, and that at threshold of 300 basis points provided flexibility for a distributor to maximize its earnings while only providing incremental capital funding when required. However, the OEB notes that this threshold was established within the context of a five-year Price Cap IR term within which a distributor's DSP has been evaluated by the OEB as part of a cost of service application. A DSP is important in considering whether the projects identified for ICM funding can be accommodated by readjusting the pacing and priorities of investments within the plan. A need for a DSP during an extended Price Cap IR term is not mandated as a matter of OEB policy requirements. However, where an ICM request is being advanced in the second year of a deferral, and the OEB must determine the basis for the applicant's assertion that the project is incremental, there should arise a reasonable expectation that a DSP may be needed to provide sufficient information to assess the request.

In Oakville Hydro's situation, the last OEB-approved capital expenditures were for 2014 and the last DSP was for 2014 to 2018, and was filed more than six years ago. There is insufficient information, such as could have been provided through a DSP, for the OEB to assess the extent to which Oakville Hydro could have readjusted plans to accommodate the projects without increasing capital expenditures in 2019 to \$19,974,000 (which is \$7.4 million higher than the average capital expenditures from 2014 to 2018).<sup>22</sup>

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<sup>20</sup> See EB-2011-0210, Decision and Order, October 24, 2012, p. 38; EB-2012-0087, Decision and Order on Preliminary Issue, November 19, 2012, p. 30 (EB-2012-0087 decision upheld by *Union Gas Limited v. Ontario Energy Board*, 2015 ONCA 453).

<sup>21</sup> EB-2019-0059, Decision and Order, November 14, 2019.

<sup>22</sup> For Oakville Hydro's actual capital expenditures in 2014-2018, see interrogatory response AMPCO-6.

The OEB concludes that while a DSP may not always be required to support an ICM during an extended Price Cap IR term, the OEB must make its own assessment of incremental capital needs in the absence of a DSP. As well, such assessment must include consideration of the distributor achieved ROE. While the OEB has previously approved an ICM during an extended Price Cap IR term<sup>23</sup>, it has also denied approval for an ICM in the absence of a DSP.<sup>24</sup> This supports a conclusion that the OEB must assess situations on a case by case basis.

Oakville Hydro's regulated ROE was 10.65% in 2018. In 2019, even with the capital projects proposed for an ICM, Oakville Hydro is forecasting it will achieve an ROE of 9.3%, which is close to the OEB-approved level of 9.36%.<sup>25</sup> While this is within 300 basis points, the OEB has determined that there are other considerations, as set out in this decision, that militate against the use of the means test as a determining factor for whether ICM funding should be granted. In particular, there is an absence of updated information on planning such as would have been provided by a DSP. As the OEB indicated in its November 2019 decision in this proceeding, the OEB's Price Cap IR rate-setting method does not set out expectations when a cost of service application is deferred.<sup>26</sup>

Oakville Hydro argued that a departure from the 300 basis points means test would serve as a disincentive to distributor efficiency, and should not be undertaken without a thorough policy review. A review of the financials provided by Oakville Hydro show a significant increase in revenue from the OEB-approved of \$37.8 million in 2014 to \$43.6 million in 2018, an increase of \$5.8 million. In an interrogatory response Oakville Hydro stated that its higher ROE for 2018 was due to an increase in distribution revenue, and no details were provided of any unusual / non-recurring items for this year.<sup>27</sup> While there has not been a detailed assessment of Oakville Hydro's achieved ROE, this increase in revenue has been a contributing factor to the higher ROE, not just efficiency gains. The OEB concludes that even without incremental funding for an ICM, Oakville Hydro has a reasonable opportunity to achieve or exceed its approved ROE for 2020 given its higher than expected revenue and over earning in 2018.

The OEB did establish policies to encourage consolidation<sup>28</sup> that permit distributors to defer rebasing for up to 10 years. During that period, distributors are eligible to apply for an ICM and are subject to an earnings sharing mechanism after year five. The OEB

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<sup>23</sup> EB-2018-0021 (Burlington Hydro Inc.), Decision and Rate Order, March 28, 2019.

<sup>24</sup> EB-2015-0065 (Enersource Hydro Mississauga Inc.), Decision and Rate Order, April 7, 2016.

<sup>25</sup> The OEB notes that the deemed ROE established by the OEB for 2020 is only 8.52% based on prevailing financial conditions for 2020.

<sup>26</sup> EB-2019-0059, Decision and Order, November 14, 2019, p.6

<sup>27</sup> Interrogatory Response CCC-3

<sup>28</sup> This includes mergers, acquisitions and amalgamations and divestitures (MAADs).

concludes that this policy is not relevant to Oakville Hydro as it is not part of a consolidation.<sup>29</sup> As well, the ability of a consolidated entity to apply for ICM project treatment does not diminish the task of the OEB to assess why any proposed project is incremental to utility capital expenditures bereft of information provided by a DSP. The OEB also notes that it required an electricity distributor to file a consolidated distribution system plan<sup>30</sup> and a gas distributor to file a consolidated utility system plan to support ICM requests, as soon as was practically possible after these mergers.<sup>31</sup> As a practical matter, the OEB has approved ICM requests from such entities recognizing the exigencies of consolidation may complicate the filing of a DSP to support the ICM request. Such considerations do not apply in this proceeding.

After balancing all of the above-noted factors, the OEB concludes that providing incremental funding to Oakville Hydro for the proposed ICM projects would not result in just and reasonable rates for 2020. Oakville Hydro will be eligible to request that these projects be included in its rate base at its next cost of service rate application.

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<sup>29</sup> This policy was referenced by Oakville Hydro in its October 24, 2019 reply to the preliminary question.

<sup>30</sup> EB-2017-0024 (Alectra Utilities Corporation), Decision and Order, April 6, 2018, p. 2.

<sup>31</sup> EB-2017-0306 and EB-2017-0307 (Union Gas Limited and Enbridge Gas Distribution Inc.), Decision and Order, August 2018.



## 4 MONTHLY BILLING VARIANCE ACCOUNT

In an interrogatory response, Oakville Hydro provided a breakdown of its Monthly Billing Variance Account.<sup>32</sup> SEC submitted that it does not believe the calculation provided by Oakville Hydro is correct, but acknowledged that this matter is not in issue in this proceeding. SEC requested the OEB clarify in this decision that the OEB is not providing any comments on this account until parties have had a chance to test the evidence and make submissions in a future proceeding.

### Findings

Oakville Hydro did not request disposition of the balance in its Monthly Billing Variance Account in this proceeding. While information has been provided on the balance in this proceeding, it will be assessed when the balance is considered for disposition.

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<sup>32</sup> Interrogatory Response CCC-11

## 5 RATE ORDER

In the *Report of the Board: Review of Electricity Distribution Cost Allocation Policy*,<sup>33</sup> 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 month<sup>34</sup> for the 2020 rate year. The approved Tariff of Rates and Charges attached as Schedule A of this Decision and Rate Order includes the rates approved in the Partial Decision and Interim Rate Order issued on December 12, 2019 and reflects the updated microFIT 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 are approved final as of January 1, 2020.

### COST AWARDS

The OEB will issue a separate decision on cost awards once the following steps are completed:

1. SEC, VECC, AMPCO, Energy Probe and CCC shall file with the OEB and forward to Oakville Hydro Electricity Distribution Inc. their cost claims within **7 days** of the date of issuance of this Decision and Rate Order.
2. Oakville Hydro Electricity Distribution Inc. shall file with the OEB and forward to the party against whose claim the objection is being made, an objection to the claimed costs within **17 days** of the date of issuance of this Decision and Rate Order.
3. An intervenor whose cost claim was objected to, may file with the OEB and forward to Oakville Hydro Electricity Distribution Inc., a reply submission as to why its cost claim should be allowed within **24 days** of the date of issuance of this Decision and Rate Order.
4. Oakville Hydro Electricity Distribution Inc. shall pay the OEB's costs incidental to this proceeding upon receipt of the OEB's invoice.

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<sup>33</sup> EB-2010-0219, Report of the Board "Review of Electricity Distribution cost Allocation Policy", March 31, 2011.

<sup>34</sup> OEB letter, issued February 24, 2020.

All materials filed with the OEB must quote the file number, EB-2019-0059, be made in a searchable/unrestricted PDF format and sent electronically through the OEB's web portal at <https://pes.ontarioenergyboard.ca/eservice>. Filings must clearly state the sender's name, postal address and telephone number, fax number and email address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at <https://www.oeb.ca/industry>. If the web portal is not available parties may email their documents to [boardsec@oeb.ca](mailto:boardsec@oeb.ca).

NOTE: The OEB is temporarily waiving the paper copy filing requirement until further notice. All communications should be directed to the attention of the Board Secretary and be received no later than 4:45 p.m. on the required date.

### **ADDRESS**

Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, 27th Floor  
Toronto ON M4P 1E4  
Attention: Board Secretary

E-mail: [boardsec@oeb.ca](mailto:boardsec@oeb.ca)  
Tel: 1-888-632-6273 (Toll free)  
Fax: 416-440-7656

**DATED** at Toronto, April 16, 2020

### **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**

**Oakville Hydro Electricity Distribution Inc.**

**OEB File No: EB-2019-0059**

**Dated: April 16, 2020**

# Oakville Hydro Electricity Distribution 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-2019-0059

### RESIDENTIAL SERVICE CLASSIFICATION

This class refers to the supply of electrical energy to detached and semi-detached residential buildings as well as farms as defined in the local zoning by-laws. Where the residential dwelling comprises the entire electrical load of a farm, it is defined as a residential service. Where electricity is provided to a combined residential and business (including agricultural usage) and the service does not provide for separate metering, the classification shall be at the discretion of Oakville Hydro and shall be based on such considerations as the estimated predominant 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 the Ontario Energy Board approval, such as the Global Adjustment and the HST.

### MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	29.89
Smart Metering Entity Charge - effective until December 31, 2022	\$	0.57
Low Voltage Service Rate	\$/kWh	0.0004
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2020) - effective until December 31, 2020	\$/kWh	0.0007
Retail Transmission Rate - Network Service Rate	\$/kWh	0.0081
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

# Oakville Hydro Electricity Distribution 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-2019-0059

### GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION

This class refers to customers who do not qualify as residential customers and whose monthly average peak demand in the preceding twelve months is less than 50kW. For new customers without prior billing history, the peak demand will be based on 90% of the proposed capacity or installed transformation. Note: Apartment buildings or multi-unit complexes and subdivisions that are not individually metered are treated as General Service. 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 the Ontario Energy Board approval, such as the Global Adjustment and the HST.

#### MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	37.66
Smart Metering Entity Charge - effective until December 31, 2022	\$	0.57
Distribution Volumetric Rate	\$/kWh	0.0167
Low Voltage Service Rate	\$/kWh	0.0003
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2020) - effective until December 31, 2020	\$/kWh	0.0026
Retail Transmission Rate - Network Service Rate	\$/kWh	0.0074
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.0056

#### 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

# Oakville Hydro Electricity Distribution 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-2019-0059

### GENERAL SERVICE 50 TO 999 KW SERVICE CLASSIFICATION

This class refers to customers who do not qualify as residential customers whose monthly average peak demand in the preceding twelve months is in the range of 50 to 999 kW. There are two sub categories within this class, those being non-interval and interval metered accounts. For new customers without prior billing history, the peak demand will be based on 90% of the proposed capacity or installed transformation. 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 the Ontario Energy Board approval, such as the Global Adjustment and the HST.

#### MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	128.50
Distribution Volumetric Rate	\$/kW	5.0249
Low Voltage Service Rate	\$/kW	0.1313
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2020) - effective until December 31, 2020	\$/kW	0.2110
Retail Transmission Rate - Network Service Rate	\$/kW	2.7963
Retail Transmission Rate - Network Service Rate - Interval Metered	\$/kW	2.8866
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	2.1089
Retail Transmission Rate - Line and Transformation Connection Service Rate - Interval Metered	\$/kW	2.1772

Issued - April 16, 2020

# Oakville Hydro Electricity Distribution 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-2019-0059

### 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



# Oakville Hydro Electricity Distribution 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-2019-0059

### GENERAL SERVICE 1,000 KW AND GREATER SERVICE CLASSIFICATION

This class refers to customers who do not qualify as residential customers whose monthly average peak demand in the preceding twelve months is equal to or greater than 1,000 kW. These accounts will all be interval metered accounts. For new customers without prior billing history, the peak demand will be based on 90% of the proposed capacity or installed transformation. 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 the Ontario Energy Board approval, such as the Global Adjustment and the HST.

#### MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	3,688.21
Distribution Volumetric Rate	\$/kW	2.9165
Low Voltage Service Rate	\$/kW	0.1313
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2020) - effective until December 31, 2020	\$/kW	0.0372
Retail Transmission Rate - Network Service Rate - Interval Metered	\$/kW	2.8866
Retail Transmission Rate - Line and Transformation Connection Service Rate - Interval Metered	\$/kW	2.1772

Issued - April 16, 2020

# Oakville Hydro Electricity Distribution 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-2019-0059

### 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

# Oakville Hydro Electricity Distribution Inc.

## TARIFF OF RATES AND CHARGES

Effective and Implementation Date January 1, 2020

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EB-2019-0059

### UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION

This classification applies to an account taking electricity at 750 volts or less whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone booths, traffic lights, pedestrian X-Walk signals/beacons, railway crossings, etc. The level of the consumption will be agreed to by the distributor and the customer, based on detailed manufacturer information and 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 the Ontario Energy Board approval, such as the Global Adjustment and the HST.

### MONTHLY RATES AND CHARGES - Delivery Component

Service Charge (per connection)	\$	10.65
Distribution Volumetric Rate	\$/kWh	0.0101
Low Voltage Service Rate	\$/kWh	0.0003
Retail Transmission Rate - Network Service Rate	\$/kWh	0.0074
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.0056

### 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

# Oakville Hydro Electricity Distribution 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-2019-0059

### 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. Class B consumers are defined in accordance with O. Reg. 429/04.

### 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 the Ontario Energy Board approval, such as the Global Adjustment and the HST.

### MONTHLY RATES AND CHARGES - Delivery Component

Service Charge (per connection)	\$	2.91
Distribution Volumetric Rate	\$/kW	49.4423
Low Voltage Service Rate	\$/kW	0.0255
Retail Transmission Rate - Network Service Rate	\$/kW	0.5606
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	0.4227

### 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

# Oakville Hydro Electricity Distribution 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-2019-0059

### STREET LIGHTING SERVICE CLASSIFICATION

All services supplied to street lighting equipment owned by or operated for the Municipality, the Region or the Province of Ontario shall be classified as Street Lighting Service. Street Lighting plant, facilities, or equipment owned by the customer are subject to the Electrical Safety Authority (ESA) requirements and Oakville Hydro specifications. 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 the Ontario Energy Board approval, such as the Global Adjustment and the HST.

### MONTHLY RATES AND CHARGES - Delivery Component

Service Charge (per connection)	\$	4.00
Distribution Volumetric Rate	\$/kW	24.5595
Low Voltage Service Rate	\$/kW	0.1061
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2020) - effective until December 31, 2020	\$/kW	3.4201
Retail Transmission Rate - Network Service Rate	\$/kW	2.3327
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	1.7595

### 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

# Oakville Hydro Electricity Distribution 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-2019-0059

### EMBEDDED DISTRIBUTOR SERVICE CLASSIFICATION

This classification applies to an electricity distributor licenced by the Ontario Energy Board, which is provided electricity by means of this distributor's facilities. 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 the Ontario Energy Board approval, such as the Global Adjustment and the HST.

### MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	5,502.36
Distribution Volumetric Rate	\$/kW	3.0052
Low Voltage Service Rate	\$/kW	0.1313
Retail Transmission Rate - Network Service Rate	\$/kW	2.8866
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	2.1772

### 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

# Oakville Hydro Electricity Distribution 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-2019-0059

### 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 the Ontario Energy Board approval, such as the Global Adjustment and the HST.

### MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	4.55
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# Oakville Hydro Electricity Distribution 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-2019-0059

### ALLOWANCES

Transformer Allowance for General Service > 50 to 999kW customers that own their transformers (per kW of billing demand/month)	\$/kW	(0.50)
Primary Metering Allowance for Transformer Losses - applied to measured demand & energy	%	(1.00)

### SPECIFIC SERVICE CHARGES

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 the Ontario Energy Board approval, such as the Global Adjustment and the HST.

#### Customer Administration

Statement of account	\$	15.00
Pulling post dated cheques	\$	15.00
Duplicate invoices for previous billing	\$	15.00
Easement letter	\$	15.00
Account history	\$	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

#### 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

Special meter reads	\$	30.00
Service call (after first service call in a 12-month period) - during regular hours	\$	30.00
Service call (after first service call in a 12-month period) - after regular hours	\$	165.00
Temporary service - install & remove - overhead - no transformer	\$	500.00
Temporary service - install & remove - underground - no transformer	\$	300.00
Specific charge for access to the power poles - \$/pole/year (with the exception of wireless attachments)	\$	44.50



# Oakville Hydro Electricity Distribution Inc.

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### 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 the 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 for 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	1.0376
Total Loss Factor - Secondary Metered Customer > 5,000 kW	1.0145
Total Loss Factor - Primary Metered Customer < 5,000 kW	1.0272
Total Loss Factor - Primary Metered Customer > 5,000 kW	1.0045