



BY EMAIL AND WEB POSTING

April 16, 2020

To: All Rate-regulated Electricity Distributors in 2020 Incentive Rate-setting Proceedings
All Other Participants in 2020 Incentive Rate-setting Proceedings
All Other Interested Parties

Re: Approach to Incentive Rate-setting Decisions for May 1, 2020 Rates

In light of the uncertainty regarding the severity and duration of the COVID-19 emergency, and its impact on electricity utilities (i.e. distributors) and customers alike, the Ontario Energy Board (OEB) is taking a unique approach to enable distributors to provide additional relief to their customers at this unprecedented time if they are able to do so without jeopardizing continuity and reliability of service. This letter describes that approach, which applies to the 31 electricity distributors whose rates would normally change effective May 1, 2020 under the OEB's incentive rate-setting mechanism.

Background to the Incentive Rate-setting Mechanism

Today, the OEB issued decisions and rate orders on applications made by 31 electricity distributors for an adjustment to rates effective May 1, 2020 based on the incentive rate-setting mechanism. These applications were filed in the summer and fall of 2019. Taken together, the decisions on these applications represent a median total bill increase of \$1.27 per month or 1.1% for a typical residential customer consuming 750 kWh per month.

The OEB permits distributors to file these applications annually in order that their revenue can keep pace with inflation. Most distributors do not receive the full inflationary increase because the OEB includes a tangible incentive to improve efficiency, and to lower operating and capital costs where possible. These annual applications may also include the following elements:

- 1) Recovery of lost revenue associated with the deployment of conservation programs, known as the lost revenue adjustment mechanism (LRAM). This mechanism allows

distributors to maintain their financial position when their customers' conservation efforts result in lower than expected revenues.

- 2) Recovery or return to customers of costs associated with obtaining electricity from the wholesale market run by the Independent Electricity System Operator to meet the needs of their customers. The OEB does not allow distributors to make a profit on the sale of electricity to their customers.
- 3) Updates to retail transmission service rates, which recover the cost of getting electricity from the high-voltage grid to distributors, as well as shared tax and other adjustments.

Approach to Implementing May 1, 2020 Incentive Rate-setting Decisions

The OEB is aware that a number of distributors have already taken measures to provide financial relief to their customers by, for example, taking advantage of the flexibility in the OEB's customer service rules to waive late payment charges or to extend the date for payment of electricity bills. Electricity distributors are also facing new operational challenges and financial demands, including quickly moving forward to implement emergency government programs such as the temporary reduction in time-of-use pricing.

In an effort to protect the interests of consumers while ensuring that electricity distributors remain financially able to continue to operate and maintain their systems and provide uninterrupted electricity service to their customers, the OEB has decided to make the May 1, 2020 rate change optional for each of the 31 affected distributors. This optional approach recognizes that, while the COVID-19 emergency is having profound province-wide impacts, each distributor has its own unique circumstances that need to be factored in to a decision about what is in the best interests of customers in the immediate and longer term.

Distributors that need to implement a change in rates on May 1, 2020 as scheduled may do so. Alternatively, distributors have the option to postpone the change in rates to November 1, 2020. The OEB may consider providing an opportunity for a longer postponement as November 2020 approaches.

Implementation Details

Distributors choosing to postpone the implementation of their 2020 rate change to November 1, 2020 will also be deferring the disposition of the pass through variances associated with their commodity and settlement related activities and any other

approvals (such as any LRAM claim or a change in their retail transmission service rates) to that date.

Distributors choosing to postpone implementation of their new rates in light of the COVID-19 emergency may track any temporarily forgone distribution revenue in the deferral account established by the OEB in the [Accounting Order](#) issued on March 25, 2020: Account 1509 - Impacts Arising from the COVID-19 Emergency, Sub-account Lost Revenues.

In deciding whether or not to postpone their May 1, 2020 rate change, any distributor that has rate riders expiring on April 30, 2020 will need to consider the change in customer bills that will occur if their new rates are not implemented at this time.

Each distributor will be required to notify the OEB of its intentions with respect to the postponement of the May 1, 2020 change by April 23, 2020.

Any questions relating to this letter should be directed to the OEB's Industry Relations Inquiry e-mail at IndustryRelations@OEB.ca. Please include "COVID-19 Rate Implementation Option" in the subject line.

Yours truly,

Original signed by

Christine E. Long
Registrar and Board Secretary