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BY EMAIL AND WEB POSTING

April 17, 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: Initial Implementation Guidance to Incentive Rate-setting Decisions for May 1, 2020 Rates for Postponing Distributors

On April 16, 2020, the Ontario Energy Board (OEB) issued decisions and rate orders relating to the incentive rate-setting mechanism (IRM) applications filed by 31 distributors for new rates effective May 1, 2020 (the May 1, 2020 decisions). On the same day, the OEB issued a [letter](#) explaining its approach with regard to those decisions (the Approach letter).¹

As stated in the May 1, 2020 decisions and the Approach letter, in light of the uncertainty regarding the severity and duration of the COVID-19 emergency, distributors have been given the option to postpone implementation of their May 1, 2020 rates until November 1, 2020.²

This letter provides **initial implementation guidance** to distributors electing to postpone implementation of their May 1, 2020 rates (postponing distributors).

¹ OEB Letter, *Approach to Incentive Rate-setting Decisions for May 1, 2020 Rates*, issued April 16, 2020

² The implementation options and the guidance provided in this letter also apply to distributors who were issued an OEB Decision and Rate Order on December 12, 2019 for rates effective May 1, 2020 (EB-2019-0030 and EB-2019-0054)

Tracking of Temporarily Forgone Distribution Revenue

Last month, the OEB issued an [Accounting Order](#) establishing deferral accounts for distributors to record impacts arising from the COVID-19 emergency.³ Postponing distributors shall use Account 1509 - Impacts Arising from the COVID-19 Emergency, Sub-account Lost Revenues to record any temporarily forgone distribution revenue.

Distribution revenue associated with the postponement of the implementation of the May 1, 2020 effective rates should be tracked separately within this sub-account by customer rate class, and may include the following components, as applicable:

- impacts arising from the postponement of changes to monthly fixed service charges and variable distribution charges
- forgone distribution revenue due to the postponement of approved Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) amounts
- forgone distribution revenue due to the postponement of the implementation of an approved Incremental Capital Module
- impacts arising from the postponement of the change in the microFit monthly fixed service charge

A distributor's request for approval to recover amounts related to the postponement of the implementation of May 1, 2020 rates will be treated similarly to the way the OEB has historically treated implementation of OEB orders for cost of service rate decisions that occur subsequent to the effective dates. In such instances, the OEB has approved a forgone revenue rate rider to take effect upon actual rate implementation. The forgone revenue rate rider is often a forecast calculation based on the established forgone period. The OEB will require postponing distributors to provide their calculations for the forgone revenue rate rider by September 15, 2020 should they choose to implement the forgone revenue rider at the same time as implementing their new 2020 base rates. The OEB anticipates that this calculation will be a mix of actual and forecast volumes and customer counts. OEB staff will provide a spreadsheet that distributors can use to show the calculations of the class-specific forgone revenue rate rider in due course.

OEB staff will work with affected distributors to incorporate the forgone revenue rate rider into their 2020 Rate Generator Models to produce updated 2020 Tariffs of Rates and Charges. The OEB anticipates issuing a revised Rate Order with the updated 2020 Tariffs of Rates and Charges well in advance of the November 1, 2020 implementation

³ OEB Letter, *Accounting Order for the Establishment of Deferral Accounts to Record Impacts Arising from the COVID-19 Emergency*, issued March 25, 2020

date. Postponing distributors should note that, as per the Accounting Order, carrying charges apply to the distribution revenue associated with the postponement of the implementation of the May 1, 2020 rates and should be tracked in a separate sub-account at the OEB's prescribed rate.

Retail Service Charges and Pole Attachment Charge

Certain service charges are subject to annual inflationary adjustments to be determined by the OEB through a generic order. This is the case with regard to retailer service charges and wireline pole attachment charges.⁴ The OEB established the most recent adjustments effective January 1, 2020.

Distributors should already be billing the updated charges even though they do not appear on distributors' current (2019) Tariffs of Rates and Charges. Postponing distributors are reminded that they must continue to charge amounts as approved by the OEB for the applicable charges.

microFit Charge

As per its [letter](#) issued February 24, 2020, the OEB updated the province-wide microFit default charge from \$5.40 to \$4.55. In the letter, the OEB noted that distributors currently in an IRM proceeding for rates effective May 1, 2020, should incorporate this charge into the appropriate models for consideration as part of the final rate order process.

Postponing distributors do not yet have authorization to apply the new charge as of May 1, 2020, but should track the differential in Account 1509 - Impacts Arising from the COVID-19 Emergency, Sub-account Lost Revenues for the microFit customer class as of May 1, 2020. This difference should be tracked by customer so that it may be refunded in the future.

Group 1 Deferral and Variance Accounts Treatment

A postponing distributor whose deferral and variance account balances as of December 31, 2018 were approved for disposition as part of its May 1, 2020 decision shall transfer

⁴ On November 28, 2019, the OEB issued a Decision and Order in proceeding EB-2019-0280 relating to energy retailer service charges, and a letter entitled *Inflation Adjustment for Energy Retailer Service Charges (EB-2019-0280) and Wireline Pole Attachment Charge (EB-2015-0304) for Electricity Distributors*. These documents established the adjustments effective January 1, 2020.

the balances into the sub-accounts of Account 1595 (2020)⁵ on May 1, 2020 so that the account can be drawn down commencing upon implementation, as per the normal course. Interest should continue to accrue commencing May 1, 2020 in Account 1595.⁶ The approved disposition rate riders may be implemented on November 1, 2020, based on the disposition period as approved in the distributor's May 1, 2020 decision. Any unrecovered or unreturned balance should remain in Account 1595 for disposition in a future proceeding.

Shared Tax Savings

Postponing distributors who had a rate rider approved for Shared Tax Savings will postpone the implementation of this rate rider to November 1, 2020. However, the amount of the Shared Tax Savings approved for disposition should be transferred to a sub-account of Account 1595 (2020)⁷ on May 1, 2020 so that carrying charges can be applied to a sub-account of Account 1595 (2020).⁸ The disposition rate riders approved may be implemented on November 1, 2020, based on the disposition period as approved in the May 1, 2020 decisions and will draw down the balance transferred to the sub-account of Account 1595 (2020). Any unrecovered or uncredited balance shall remain in Account 1595 for disposition in a future proceeding. This treatment will be consistent with that in the case where a distributor was required, by its May 1, 2020 decision to transfer an amount to a sub-account of Account 1595 (2020)⁹ (as opposed to implementing disposition through a rate rider).

Retail Transmission Service Rates

Postponing distributors will also be postponing the implementation of any changes to their approved Retail Transmission Service Rates (RTSR) to November 1, 2020.

The postponement of RTSRs to November 1, 2020 will cause additional variances to accumulate in two Group 1 deferral and variance accounts between May 1 and October 31, 2020: Account 1584 - RSVANW and Account 1586 - RSVACN. Therefore, there will be no requirement to track any differences in Account 1509 - Impacts Arising from the COVID-19 Emergency, Sub-account Lost Revenues, as the variances caused by the

⁵ Sub-account Principal Balances Approved in 2020, and Sub-account Carrying Charges Approved in 2020

⁶ Sub-account Carrying Charges for Net Principal in 2020

⁷ Sub-account Principal Balances Approved in 2020

⁸ Sub-account Carrying Charges for Net Principal in 2020

⁹ Sub-account Principal Balances Approved in 2020

postponed implementation will automatically accumulate in the two transmission RSVA accounts during 2020, and will be assessed for disposition in a future rates proceeding.

Other Matters

The OEB also reminds distributors that any rate riders with April 30, 2020 or future sunset dates on their current (2019) Tariff of Rates and Charges shall cease to have effect following the sunset date, regardless of the implementation choice by a distributor.

The OEB anticipates that further guidance may be provided to address additional implementation details as November 2020 approaches.

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

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Registrar and Board Secretary