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DECISION AND RATE ORDER

EB-2020-0035

KITCHENER-WILMOT HYDRO INC.

Application for rates and other charges to be effective January 1, 2021

BEFORE: Michael Janigan
Presiding Commissioner

Pankaj Sardana
Commissioner

December 10, 2020

1 INTRODUCTION AND SUMMARY

Through this Decision and Rate Order, the Ontario Energy Board (OEB) approves the incentive rate-setting mechanism (IRM) application filed by Kitchener-Wilmot Hydro Inc. (Kitchener-Wilmot Hydro) for new rates effective January 1, 2021.

Kitchener-Wilmot Hydro serves approximately 98,300 mostly residential and commercial electricity customers in the City of Kitchener and the Township of Wilmot. The company is seeking the OEB's approval for the rates it charges to distribute electricity to its customers, as is required of licensed and rate-regulated distributors in Ontario.

A distributor may choose one of three rate-setting methodologies approved by the OEB. Each of these is explained in the [Handbook for Utility Rate Applications](#).

Kitchener-Wilmot Hydro's application is based on a Price Cap Incentive Rate-setting option (Price Cap IR), with a five-year term. The Price Cap IR option involves the setting of rates through a cost of service application in the first year. Mechanistic price cap adjustments, based on inflation and the OEB's assessment of the distributor's efficiency, are typically then approved through IRM applications in each of the ensuing four (adjustment) years.

As a result of this Decision, there will be no measurable change to the monthly total bill for a residential customer consuming 750 kWh, effective January 1, 2021. The change does not factor in applicable taxes or the Ontario Electricity Rebate.¹

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

2 THE PROCESS

The OEB follows a standardized and streamlined process for hearing IRM applications filed under Price Cap IR. In each adjustment year of a Price Cap IR term, the OEB prepares a Rate Generator Model that includes, as a placeholder, information from the distributor's past proceedings and annual reporting requirements.² A distributor will then review and complete the Rate Generator Model, and include it with its application.

Kitchener-Wilmot Hydro filed its application on August 17, 2020 under section 78 of the *Ontario Energy Board Act, 1998* (OEB Act) and in accordance with Chapter 3 of the OEB's [Filing Requirements for Incentive Rate-Setting Applications](#) (Filing Requirements). Notice of Kitchener-Wilmot Hydro's application was issued on September 1, 2020. The OEB did not receive any requests for intervenor status.

The application was supported by pre-filed written evidence and a completed Rate Generator Model. During the course of the proceeding, the applicant responded to interrogatories and, where required, updated and clarified the evidence. Final submissions on the application were filed by OEB staff and the applicant.

² The Rate Generator Model is a Microsoft Excel workbook that is used to update base rates, retail transmission service rates and, if applicable, shared tax saving adjustments. It also calculates rate riders for the disposition of deferral and variance account balances. During the course of an IRM proceeding, the Rate Generator Model may be updated in order to make any necessary corrections, or to incorporate new rate-setting parameters as they become available.

3 ORGANIZATION OF THE DECISION

In this Decision, the OEB addresses the following issues, and provides reasons for approving or denying Kitchener-Wilmot Hydro's proposals relating to each of them:

- Price Cap Adjustment
- Retail Transmission Service Rates
- Group 1 Deferral and Variance Accounts
- Lost Revenue Adjustment Mechanism Variance Account Balance
- Renewable Generation Connection Rate Protection Funding

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

This Decision does not address rates and charges approved by the OEB in previous proceedings, which are not part of the scope of an IRM proceeding (such as specific service charges³ and loss factors). No further approvals are required to continue to include these items on a distributor's Tariff of Rates and Charges.

³ Certain Service Charges are subject to annual inflationary adjustments to be determined by the OEB through a generic order. The Decision and Order EB-2020-0285, issued December 3, 2020 established the adjustment for energy retailer service charges, effective January 1, 2021. The Order EB-2020-0288, issued December 10, 2020, set the Wireline Pole Attachment Charge for January 1, 2021 on an interim basis.

4 PRICE CAP ADJUSTMENT

Kitchener-Wilmot Hydro seeks to increase its rates, effective January 1, 2021, based on a mechanistic rate adjustment using the OEB-approved *inflation minus X-factor* formula applicable to Price Cap IR applications.

The components of the Price Cap IR adjustment formula applicable to Kitchener-Wilmot Hydro are set out in Table 4.1, below. Inserting these components into the formula results in a 2.05% increase to Kitchener-Wilmot Hydro's rates: **2.05% = 2.20% - (0.00% + 0.15%)**.

Table 4.1: Price Cap IR Adjustment Formula

Components		Amount
Inflation Factor ⁴		2.20%
X-Factor	Productivity ⁵	0.00%
	Stretch (0.00% – 0.60%) ⁶	0.15%

A maximum inflation factor of 2.20% applies to all Price Cap IR applications for the 2021 rate year, provided that a utility does not elect a lower inflation factor to be used.

The X-factor is the sum of the productivity factor and the stretch factor. It is a productivity offset that will vary among different groupings of distributors. Subtracting the X-factor from inflation ensures that rates decline in real, constant-dollar terms, providing distributors with a tangible incentive to improve efficiency or else experience declining net income.

The productivity component of the X-factor is based on industry conditions over a historical study period and applies to all Price Cap IR and Annual IR Index applications for the 2021 rate year.

⁴ For the 2021 Inflation Factor, see Ontario Energy Board 2021 Electricity Distribution Rate applications webpage – November 9, 2020.

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

⁶ The stretch factor groupings are based on the Report to the Ontario Energy Board – “Empirical Research in Support of Incentive Rate-Setting: 2019 Benchmarking Update”, prepared by Pacific Economics Group LLC., August 2020.

The stretch factor component of the X-factor is distributor specific. The OEB has established five stretch factor groupings, each within a range from 0.00% to 0.60%. The stretch factor assigned to any particular distributor is based on the distributor's total cost performance as benchmarked against other distributors in Ontario. The most efficient distributor would be assigned the lowest stretch factor of 0.00%. Conversely, a higher stretch factor would be applied to a less efficient distributor (in accordance with its cost performance relative to expected levels) to reflect the incremental productivity gains that the distributor is expected to achieve. The stretch factor assigned to Kitchener-Wilmot Hydro is 0.15%.

In light of the continued uncertainty regarding the severity and duration of the COVID-19 emergency, and its impact on electricity utilities and customers alike, for 2021 rate adjustment applications, the OEB allowed utilities the discretion of applying either the calculated inflation factor in accordance with the OEB-approved methodology or a lower value. Utilities were also given the discretion to forego the inflationary increase entirely.⁷

The OEB required all utilities that filed (or were planning to file) 2021 rate adjustment applications to file a letter on the record of their rates proceedings, indicating the inflation factor that the utility has elected.

On November 19, 2020, Kitchener-Wilmot Hydro filed a letter advising the OEB that it is electing an inflation factor of 2.2% for 2021 rates, resulting in a rate adjustment of 2.05%.⁸

Findings

The OEB finds that Kitchener-Wilmot Hydro's request for a 2.05% rate adjustment is in accordance with the annually updated parameters set by the OEB, as well as the process established for the implementation of the 2021 inflation factor. The adjustment is approved, and Kitchener-Wilmot Hydro's new rates shall be effective January 1, 2021.

The adjustment applies to distribution rates (fixed and variable) uniformly across all customer classes.⁹

⁷ [OEB Letter, 2021 Inflation Parameters, issued November 9, 2020.](#)

⁸ Letter filed re: 2021 inflation factor, November 19, 2020.

⁹ Price Cap IR and Annual IR Index adjustments do not apply to the following rates and charges: rate riders, rate adders, low voltage service charges, retail transmission service rates, wholesale market service rate, smart metering entity charge, rural or remote electricity rate protection charge, standard supply service – administrative charge, transformation and primary metering allowances, loss factors, specific service charges, microFIT charge, and retail service charges.

5 RETAIL TRANSMISSION SERVICE RATES

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

Kitchener-Wilmot Hydro is transmission connected and is requesting approval to adjust the RTSRs that it charges its customers to reflect the currently approved rates that it pays for transmission services included in Table 5.1.

Table 5.1: UTRs¹⁰

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

Findings

Kitchener-Wilmot Hydro's proposed adjustment to its RTSRs is approved. The RTSRs were adjusted based on the OEB-approved interim 2020 UTRs.

The OEB finds that the interim 2020 UTRs were incorporated into the rate model to adjust the RTSRs that Kitchener-Wilmot Hydro will charge its customers.

Any differences resulting from the approval of final 2020 UTRs, as well as from the approval of new 2021 UTRs, will be captured in Accounts RSVA – Retail Transmission Network Charge 1584 and Retail Transmission Connection Charge 1586.

¹⁰ EB-2020-0180, Decision and Order, July 31, 2020.

6 GROUP 1 DEFERRAL AND VARIANCE ACCOUNTS

In each year of an IRM term, the OEB will review a distributor's Group 1 deferral and variance accounts in order to determine whether their total balance should be disposed.¹¹ OEB policy requires that Group 1 accounts be disposed if they exceed (as a debit or credit) a pre-set disposition threshold of \$0.001 per kWh, unless a distributor justifies why balances should not be disposed.¹² If the balance does not exceed the threshold, a distributor may elect to request disposition.

The 2019 actual year-end total balance for Kitchener-Wilmot Hydro's Group 1 accounts including interest projected to December 31, 2020 is a debit of \$269,941. This amount represents a total debit claim of \$0.0002 per kWh, which does not exceed the disposition threshold. The utility has requested disposition of this debit amount over a 1-year period.

a) Global Adjustment Variance Account

One of the components of the commodity costs billed by the Independent Electricity System Operator (IESO), which is included in Group 1 accounts, is the Global Adjustment (GA).¹³

Different customer groups pay the GA in different ways:

- For Regulated Price Plan (RPP) customers, the GA is incorporated into the standard commodity rates customers pay. Therefore, there is no separate variance account for the GA.
- "Class A" customers are allocated GA costs based on the percentage their demand contributes to the top five Ontario system peaks. As distributors settle with Class A customers based on actual GA costs, there is no resulting variance.

¹¹ Group 1 accounts track the differences between the costs that a distributor is billed for certain IESO and host distributor services (including the cost of power) and the associated revenues that the distributor receives from its customers for these services. The total net difference between these costs and revenues is disposed to customers through a temporary charge or credit known as a rate rider.

¹² Report of the OEB – "Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR)." EB-2008-0046, July 31, 2009.

¹³ The GA is established monthly by the IESO to reflect the difference between the wholesale market price for electricity and regulated rates for:

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

- "Class B" non-RPP customers are billed GA based on the electricity they consume in a month at the IESO published GA price. Distributors track any difference between the billed amounts and actual costs for these customers in the GA Variance Account for disposal, once audited.

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

Kitchener-Wilmot Hydro proposes the recovery of its GA variance account balance of \$703,002 as at December 31, 2019, including interest to December 31, 2020, in accordance with the following table.

Table 6.1: Recovery of GA Variance

Proposed Amounts	Proposed Method for Recovery
\$698,150 recovered from customers who were Class B for the entire period from January 2019 to December 2019	per kWh rate rider
\$4,852 recovered from customers formerly in Class B during the period January 2019 to June 2019 who were reclassified to Class A	12 equal installments ¹⁴

b) Capacity Based Recovery Class B Sub-account

The balance of the Group 1 accounts includes the Capacity Based Recovery (CBR) sub-account for Class B customers of \$173,414, relating to the IESO's wholesale energy market for the CBR program. Kitchener-Wilmot Hydro had Class A customers during the period from January 2018 to December 2018 so it applied to have the balance of this account disposed through a separate kWh rate rider for Class B customers in order to ensure proper allocation between Class A and Class B customers.

As some customers were reclassified between Class A and Class B during the period from January 2018 to December 2018, Kitchener-Wilmot Hydro requested to refund of a portion of CBR Class B costs by way of 12 equal installments.¹⁵

¹⁴ 2021 IRM Rate Generator Model, Tab 6.1a "GA Allocation".

¹⁵ 2021 IRM Rate Generator Model Tab 6.2a "CBR B_Allocation".

c) Group 1 Accounts

The Group 1 accounts being sought for disposition (excluding GA) include the following flow through variance accounts: Smart Meter Entity Charges, Wholesale Market Service Charges, Retail Transmission Service Charges and Commodity Power Charges. These Group 1 accounts have a total credit balance of \$433,061, which results in a refund to customers. This balance combined with the balance for the GA account results in the total credit balance for Group 1 accounts of \$269,941.

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

OEB staff submitted that it supported Kitchener-Wilmot Hydro's request to dispose of its Group 1 DVAs on a final basis.

Findings

The OEB approves the disposition of a debit balance of \$269,941 as of December 31, 2019, including interest projected to December 31, 2020 for Group 1 accounts on a final basis.

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

¹⁶ Electricity Reporting and Record Keeping Requirements, Version dated May 3, 2016.

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

Table 6.2: Group 1 Deferral and Variance Account Balances

Account Name	Account Number	Principal Balance (\$) A	Interest Balance (\$) B	Total Claim (\$) C=A+B
Smart Metering Entity Charge	1551	(25,315)	(558)	(25,873)
RSVA - Wholesale Market Service Charge	1580	(453,356)	(1,821)	(455,177)
Variance WMS – Sub-account CBR Class B	1580	(168,235)	(5,180)	(173,414)
RSVA - Retail Transmission Network Charge	1584	329,956	5,426	335,382
RSVA - Retail Transmission Connection Charge	1586	(95,731)	(2,669)	(98,400)
RSVA - Power	1588	40,927	(56,506)	(15,578)
RSVA - Global Adjustment	1589	608,540	94,462	703,002
Totals for all Group 1 DVAs excluding RSVA – Global Adjustment		(371,753)	(61,308)	(433,061)
Totals for all Group 1 DVAs		236,787	33,154	269,941

The balance of each of the Group 1 accounts approved for disposition shall be transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595. Such transfer shall be pursuant to the requirements specified in Article 220, Account Descriptions, of the *Accounting Procedures Handbook for Electricity Distributors*.¹⁸ The date of the transfer must be the same as the effective date for the associated rates, which is, generally, the start of the rate year. Kitchener-Wilmot Hydro shall ensure these adjustments are included in the reporting period ending March 31, 2021 (Quarter 1).

The OEB approves these balances to be disposed through final rate riders and charges/payments as calculated in the Rate Generator Model. The final rate riders and

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

charges/payments will be in effect over a one-year period from January 1, 2021 to December 31, 2021.¹⁹

¹⁹ 2021 IRM Rate Generator Model Tab 6.1 GA, Tab 6.1a GA Allocation, Tab 6.2 CBR B, Tab 6.2a CBR B_Allocation and Tab 7 Calculation of Def-Var RR.

7 LOST REVENUE ADJUSTMENT MECHANISM VARIANCE ACCOUNT BALANCE

A distributor's conservation and demand management (CDM) programs may result in reduced overall consumption. To address this, the OEB utilizes a Lost Revenue Adjustment Mechanism Variance Account (LRAMVA), which captures a distributor's revenue implications resulting from differences between actual savings and forecast conservation savings included in the last OEB-approved load forecast.²⁰ These differences are recorded by distributors at the rate class level.

Beginning on January 1, 2015, distributors delivered CDM programs to their customers through the Conservation First Framework (CFF). On March 20, 2019, the CFF was revoked.²¹ Shortly thereafter, the OEB advised that electricity distributors would continue to have access to a lost revenue adjustment mechanism for conservation program activities undertaken under the CFF.²² The OEB provided direction to distributors seeking to claim program savings up to December 31, 2019 related to CFF programs or other programs they deliver.²³

A distributor may apply for the disposition of the balance in the LRAMVA on an annual basis, as part of its IRM application, if the balance is deemed significant by the distributor.

Kitchener-Wilmot Hydro has applied to dispose of its LRAMVA debit balance of \$1,727,840. The balance consists of lost revenues in 2017 and 2018 from CDM programs delivered during the period from 2013 to 2018 and carrying charges. The actual conservation savings claimed by Kitchener-Wilmot Hydro under the CFF were determined by the IESO.²⁴ For CDM programs delivered prior to 2018, the IESO provided distributors with a Final Verified Results Report that summarized all annual CDM results. For CDM programs delivered in 2018 and until the end of the CFF in 2019, the IESO made monthly Participation and Cost Reports and detailed project level data available to distributors.

²⁰ Guidelines for Electricity Distributor Conservation and Demand Management, EB-2012-0003, April 26, 2012; and Requirement Guidelines for Electricity Distributors Conservation and Demand Management, EB-2014-0278, December 19, 2014.

²¹ On March 20, 2019 the Minister of Energy, Northern Development and Mines issued separate Directives to the OEB and the IESO.

²² Ontario Energy Board letter dated June 20, 2019.

²³ Chapter 3 Filing Requirements, section 3.2.6.1.

²⁴ For CDM programs delivered from 2015 to 2017, the IESO provided distributors with a Final Results Report that summarized all savings results. For 2018, distributors accessed the Participant and Cost Reports and detailed project level data from the IESO to support LRAMVA applications.

In response to OEB staff interrogatories, Kitchener-Wilmot Hydro filed an updated LRAMVA workform and provided the supporting calculations on its street light savings, as well as the detailed documentation of monthly LED installations by municipality.

OEB staff submitted that the methodology used to calculate street light savings appropriately captures incremental lost revenues due to the municipalities' participation in the IESO CDM program.

Actual conservation savings were compared against Kitchener-Wilmot Hydro's forecasted conservation savings of 18,623,388 kWh included in the load forecast, which was set out in Kitchener-Wilmot Hydro's 2014 cost of service proceeding.²⁵

OEB staff supported the requested disposition of the LRAMVA balance.

Findings

The OEB finds that Kitchener-Wilmot Hydro's LRAMVA balance has been calculated in accordance with the OEB's CDM-related guidelines and updated LRAMVA policy. The OEB approves the disposition of Kitchener-Wilmot Hydro's LRAMVA debit balance of \$1,727,840, as set out in Table 7.1 below.

Table 7.1 LRAMVA Balance for Disposition

Account Name	Account Number	Actual CDM Savings (\$) A	Forecasted CDM Savings (\$) B	Carrying Charges (\$) C	Total Claim (\$) D=(A-B)+C
LRAMVA	1568	2,061,829	420,768	86,780	1,727,840

²⁵ EB-2013-0147, Settlement Proposal, Settlement Table #3e), page 23 of 46.

8 Renewable Generation Connection Rate Protection Funding

Subsection 79.1 (1) of the OEB Act states that the OEB may provide Renewable Generation Connection Rate Protection (RGCRP) compensation amounts to eligible distributors. Ontario Regulation 330/09 (the Regulation) prescribes the methodology that the OEB uses to determine the amount that the utility may collect from the IESO for any given year.

Distributors are required to plan for new electricity generation projects expected to connect to their systems. Based on their plans, distributors may apply to the OEB for funding to recover the cost of assets to enable and to connect generators to their distribution systems, including generators using renewable sources of energy such as wind or solar. The OEB then takes steps to ensure that all Ontario customers, not just the ratepayers of the individual distributor, contribute to the costs of investments to connect renewable generators in accordance with applicable legislation.

The OEB determines the eligibility of the connection investment made by a distributor in its distribution rate decision and issues an order to the IESO to collect and disburse specific amounts based on the approved entitlement. Since May 1, 2010, the OEB has issued such decisions pursuant to the Regulation. The latest Decision and Order, determining 2020 RGCRP compensation amounts was issued on January 30, 2020, providing eight distributors with funding, effective January 1, 2020.²⁶

As part of its 2014 rate proceeding²⁷, Kitchener-Wilmot Hydro requested approval of provincial funding related to Renewable Enabling Improvement (REI) projects that were undertaken during the 2010 to 2012 period. During that proceeding, Kitchener-Wilmot Hydro filed evidence to indicate start-up operating, maintenance and administrative (OM&A) costs of \$37,405 and capital costs of \$116,347 in relation to two REI projects. In its Decision with Reasons and Order, the OEB approved a rate protection amount of \$25,656 effective January 1, 2014. In the same 2014 rate proceeding, Kitchener-Wilmot Hydro also forecasted additional capital expenditures of \$175,000 (\$15,000 in 2015 and \$80,000 in each of 2016 and 2017) and \$125,000 in OM&A costs (\$25,000 per year from 2013 to 2017) related to REI projects. Kitchener-Wilmot Hydro stated that it would defer these costs, as per OEB direction, and clear the accounts in its next cost of service (COS) application. Kitchener-Wilmot Hydro further noted that the forecasted \$125,000 in OM&A was related to temporary labour and overtime costs. However, Kitchener-Wilmot Hydro stated that it inadvertently

²⁶ EB-2019-0279

²⁷ EB-2013-0147

missed entering these forecasted amounts into the relevant models and, as a result, these amounts were excluded from future RGCRP compensation amounts. For the years 2015 to 2019, Kitchener-Wilmot Hydro received RGCRP compensation amounts related only to the depreciation expense of the two REI assets approved in its 2014 application.

In April 2019, Kitchener-Wilmot Hydro filed a COS application for rates effective January 1, 2020 and recorded \$102,388 of incremental OM&A costs pertaining to permitted renewable generation projects in account 1532. Kitchener-Wilmot Hydro's COS rate application was settled, however, again due to an oversight on the applicant's part, the settlement proposal did not discuss Kitchener-Wilmot Hydro's request to recover the \$102,388 in incremental OM&A costs.

On October 17, 2019, the OEB issued a Decision and Order accepting a settlement proposal between Kitchener-Wilmot Hydro and intervenors on the COS application. The settlement proposal did not, however, discuss Kitchener-Wilmot Hydro's request to recover the \$102,388 in incremental OM&A costs, which as proposed, did not discuss Kitchener-Wilmot Hydro's request to recover the incremental OM&A expense incurred over the previous five years for the REI projects. Upon realizing that the incremental OM&A costs had been missed in the October 17, 2019 Decision and Order, Kitchener-Wilmot Hydro filed a letter on December 13, 2019, requesting the RGCRP amount of \$106,499 for 2020.²⁸ Kitchener-Wilmot Hydro confirmed that it had not moved the renewable generation assets approved in the 2014 COS application to rate base and was therefore requesting rate protection for the OM&A related to these assets.

In the OEB's 2020 Electricity Rate Protection Benefit and Charge Decision²⁹, the OEB approved an amount of \$106,500 for Kitchener-Wilmot Hydro on an interim basis. Furthermore, the OEB asked the utility to provide evidence supporting the requested payments for the years 2020 to 2024 in its 2021 rate application with the view to finalize these payments, as the OEB felt that Kitchener-Wilmot Hydro's most recent letter did not provide enough evidence.

In this application, Kitchener-Wilmot Hydro is seeking approval of the 2020 RGCRP funding on a final basis and the ongoing depreciation of the capital costs incurred from 2010 to 2013. In addition, Kitchener-Wilmot Hydro requested the depreciation

²⁸ The \$106,499 is comprised of \$102,388 in incremental startup OM&A costs, the Provincial Benefit portion of \$102,388 amounting to \$96,245 or 94% of \$102,388, plus ongoing depreciation of renewable generation capital assets amounting to \$5,113, plus the cost of capital pertaining to these assets of \$4,823 and \$318 as a difference between recovered amounts and sought after amounts.

²⁹ EB-2019-0279, Decision and Order, January 30, 2020.

expense for the renewable generation assets for the years 2020 to 2024. In response to OEB staff interrogatories, Kitchener-Wilmot Hydro confirmed that in its application for 2014 rates, it had requested and received approval for \$37,405 of start-up OM&A costs. In 2020, it had received interim approval for an additional \$39,516, which related to incremental start-up OM&A costs for the 2014 year. Furthermore, Kitchener-Wilmot Hydro noted that it did not request incremental OM&A for the years 2015 to 2018 in its 2014 application, as the original request included only actual costs incurred and that budgeted start-up costs for 2015-2017 were inadvertently missed.

In response to OEB staff interrogatories in this proceeding, Kitchener-Wilmot Hydro largely established why it believed it was eligible for the incremental OM&A funding in principle, and in response to OEB staff's submission, provided further evidence in support of its recovery of the \$102,388 in start-up OM&A costs.

Findings

The OEB approves Kitchener-Wilmot Hydro's request to finalize the incremental labour costs for the connection of the renewable generation assets, and the ongoing depreciation of the capital costs incurred from 2010-2013, including carrying charges, in the total amount of \$106,500. As well, the OEB approves the depreciation expense for the renewable generation assets in the amounts of \$9,717, \$9,586, \$9,426 and \$9,251, respectively, related to each of the subsequent years from 2021 to 2024.

The OEB notes that 94% of these amounts will be recovered via the provincial benefit payable by the IESO, and the balance of the amounts will be recovered from Kitchener-Wilmot Hydro's customers. In approving these costs, the OEB notes that Kitchener-Wilmot Hydro, per Ontario Regulation 330/09, did plan for new electricity generation projects expected to connect to its system and did forecast start-up capital and OM&A amounts from the very beginning by including its renewable generation plans in its 2014 COS application.

The OEB notes that the resolution of this issue would have been assisted by more rigorous monitoring and tracking of the relevant amounts by Kitchener-Wilmot Hydro. The tracking and clearing of these amounts, spanning three rate applications and an Electricity Rate Protection Decision, should have resulted in a more straightforward record for the OEB to determine the cost amounts requested in this application.

9 IMPLEMENTATION AND ORDER

This Decision is accompanied by a Rate Generator Model, applicable supporting models and a Tariff of Rates and Charges (Schedule A).

Model entries were reviewed in order to ensure that they are in accordance with Kitchener-Wilmot Hydro's last COS decision, and to ensure that the 2020 OEB-approved Tariff of Rates and Charges, as well as the cost, revenue and consumption results from 2019, are as reported by Kitchener-Wilmot Hydro to the OEB.

The Rate Generator Model was adjusted, where applicable, to correct any discrepancies. The Rate Generator Model incorporates the rates set out in the following table.

Table 9.1: Regulatory Charges

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

Each of these rates is a component of the "Regulatory Charge" on a customer's bill, established annually by the OEB through a separate, generic order. The RRRP, WMS and CBR rates were set by the OEB on December 10, 2020.³⁰

The Smart Metering Entity Charge is a component of the "Distribution Charge" on a customer's bill, established by the OEB through a separate order. The Smart Metering Entity Charge was set by the OEB on March 1, 2018.³¹

In the *Report of the Board: Review of Electricity Distribution Cost Allocation Policy*,³² 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. Distributors shall apply the updated value, if applicable, following the OEB's announcement of the microFIT charge for the 2021 rate year.

³⁰ EB-2020-0276, Decision and Order, December 10, 2020.

³¹ EB-2017-0290, Decision and Order, March 1, 2018.

³² EB-2010-0219, Report of the Board "Review of Electricity Distribution Cost Allocation Policy", March 31, 2011.

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Kitchener-Wilmot Hydro's new final and interim distribution rates shall be effective January 1, 2021.
2. The Tariff of Rates and Charges set out in Schedule A, shall be deemed *draft* until the parties have complied with the subsequent procedural steps.
3. Kitchener-Wilmot Hydro shall review the Tariff of Rates and Charges set out in Schedule A and shall file with the OEB, as applicable, a written confirmation of its completeness and accuracy, or provide a detailed explanation of any inaccuracies or missing information, within **7 days** of the date of issuance of this Decision and Rate Order.
4. The Tariff of Rates and Charges will be considered final if Kitchener-Wilmot Hydro does not provide a submission to the OEB that inaccuracies were found or information was missing pursuant to item 3.
5. If the OEB receives a submission from Kitchener-Wilmot Hydro to the effect that inaccuracies were found or information was missing pursuant to item 3, the OEB will consider the submission prior to issuing a final Tariff of Rates and Charges.
6. Kitchener-Wilmot Hydro shall notify its customers of the rate changes no later than the delivery of the first bill reflecting the new rates.

All materials filed with the OEB must quote the file number, EB-2020-0035 and be made in searchable / unrestricted PDF format with a digital signature through the OEB's web portal at <http://www.pes.ontarioenergyboard.ca/eservice/>. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at https://www.oeb.ca/oeb/Documents/e-Filing/RESS_Document_Guidelines_final.pdf. If the web portal is not available parties may email their documents to registrar@oeb.ca. All communications should be directed to the attention of the Registrar and be received no later than 4:45 p.m. on the required date.

ADDRESS

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DATED at Toronto, December 10, 2020

ONTARIO ENERGY BOARD

Original Signed By

Christine E. Long
Registrar

Schedule A

To Decision and Rate Order

Tariff of Rates and Charges

OEB File No: EB-2020-0035

DATED: December 10, 2020

Corrected December 17, 2020

Kitchener-Wilmot Hydro Inc.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date January 1, 2021
This schedule supersedes and replaces all previously
approved schedules of Rates, Charges and Loss Factors

EB-2020-0035

RESIDENTIAL SERVICE CLASSIFICATION

This classification applies to an account taking electricity at 750 volts or less where the electricity is used exclusively in a separate metered living accommodation. Customers shall be residing in single-dwelling units that consist of a detached house or one unit of a semi-detached, duplex, triplex or quadruplex house, with a residential zoning. Separately metered dwellings within a town house complex or apartment building also qualify as residential customers. All customers are single-phase. Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

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

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

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

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

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	22.94
Smart Metering Entity Charge - effective until December 31, 2022	\$	0.57
Rate Rider for Disposition of Global Adjustment Account (2021) - effective until December 31, 2021 Applicable only for Non-RPP Customers	\$/kWh	0.0014
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2021) - effective until December 31, 2021	\$/kWh	0.0006
Rate Rider for Disposition of Deferral/Variance Accounts (2021) - effective until December 31, 2021	\$/kWh	(0.0002)
Rate Rider for Disposition of Capacity Based Recovery Account (2021) - effective until December 31, 2021 Applicable only for Class B Customers	\$/kWh	(0.0001)
Retail Transmission Rate - Network Service Rate	\$/kWh	0.0062
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.0017

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0030
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0005
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

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GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION

This classification applies to a non residential 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. 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.

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	28.07
Smart Metering Entity Charge - effective until December 31, 2022	\$	0.57
Distribution Volumetric Rate	\$/kWh	0.0135
Rate Rider for Disposition of Global Adjustment Account (2021) - effective until December 31, 2021 Applicable only for Non-RPP Customers	\$/kWh	0.0014
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2021) - effective until December 31, 2021	\$/kWh	0.0010
Rate Rider for Disposition of Deferral/Variance Accounts (2021) - effective until December 31, 2021	\$/kWh	(0.0001)
Rate Rider for Disposition of Capacity Based Recovery Account (2021) - effective until December 31, 2021 Applicable only for Class B Customers	\$/kWh	(0.0001)
Retail Transmission Rate - Network Service Rate	\$/kWh	0.0054
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.0015

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0030
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0005
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

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GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION

This classification applies to a non residential account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 5,000 kW. Note that for the application of the Retail Transmission Rate - Network Service Rate and the Retail Transmission Rate - Line and Transformation Connection Service Rate the following sub-classifications apply: General Service 50 to 999 kW non-interval metered, General Service 50 to 999 kW interval metered and General Service 1,000 to 4,999 kW interval metered. 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

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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.

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	186.99
Distribution Volumetric Rate	\$/kW	4.8141
Rate Rider for Disposition of Global Adjustment Account (2021) - effective until December 31, 2021 Applicable only for Non-RPP Customers	\$/kWh	0.0014
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2021) - effective until December 31, 2021	\$/kW	0.4311
Rate Rider for Disposition of Deferral/Variance Accounts (2021) - effective until December 31, 2021 Applicable only for Non-Wholesale Market Participants	\$/kW	(0.1022)
Rate Rider for Disposition of Deferral/Variance Accounts (2021) - effective until December 31, 2021	\$/kW	0.0505

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Rate Rider for Disposition of Capacity Based Recovery Account (2021) - effective until December 31, 2021 Applicable only for Class B Customers	\$/kW	(0.0430)
Retail Transmission Rate - Network Service Rate	\$/kW	2.8716
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	0.8466

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0030
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0005
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

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LARGE USE SERVICE CLASSIFICATION

This classification applies to an account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 5,000 kW. Class A and Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	17,392.86
Distribution Volumetric Rate	\$/kW	1.5975
Rate Rider for Disposition of Deferral/Variance Accounts (2021) - effective until December 31, 2021	\$/kW	(0.0672)
Retail Transmission Rate - Network Service Rate - Interval Metered	\$/kW	2.6990
Retail Transmission Rate - Line and Transformation Connection Service Rate - Interval Metered	\$/kW	0.7959

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0030
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0005
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

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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, railway crossings, etc. The level of the consumption will be agreed to by the distributor and the customer, based on detailed manufacturer information/ documentation with regard to electrical consumption of the unmetered load or periodic monitoring of actual consumption. Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge (per connection)	\$	7.52
Distribution Volumetric Rate	\$/kWh	0.0146
Rate Rider for Disposition of Capacity Based Recovery Account (2021) - effective until December 31, 2021 Applicable only for Class B Customers	\$/kWh	(0.0001)
Rate Rider for Disposition of Deferral/Variance Accounts (2021) - effective until December 31, 2021	\$/kWh	(0.0001)
Retail Transmission Rate - Network Service Rate	\$/kWh	0.0054
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.0015

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0030
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0005
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

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STREET LIGHTING SERVICE CLASSIFICATION

This classification applies to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of Transportation and private roadway lighting, controlled by photo cells. The consumption for these customers will be based on the calculated connected load times the required lighting times established in the approved Ontario Energy Board street lighting load shape template. Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	0.70
Distribution Volumetric Rate	\$/kW	4.7364
Rate Rider for Disposition of Global Adjustment Account (2021) - effective until December 31, 2021 Applicable only for Non-RPP Customers	\$/kWh	0.0014
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2021) - effective until December 31, 2021	\$/kW	7.1672
Rate Rider for Disposition of Deferral/Variance Accounts (2021) - effective until December 31, 2021	\$/kW	(0.0486)
Rate Rider for Disposition of Capacity Based Recovery Account (2021) - effective until December 31, 2021 Applicable only for Class B Customers	\$/kW	(0.0416)
Retail Transmission Rate - Network Service Rate	\$/kW	1.7462
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	0.5153

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0030
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0005
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

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EMBEDDED DISTRIBUTOR SERVICE CLASSIFICATION

This classification applies to an electricity distributor licensed by the Ontario Energy Board that 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.

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MONTHLY RATES AND CHARGES - Delivery Component

Rate Rider for Disposition of Deferral/Variance Accounts (2021) - effective until December 31, 2021	\$/kW	0.0598
Monthly Distribution Wheeling Service Rate - Dedicated LV Line	\$/kW	2.4675
Retail Transmission Rate - Network Service Rate	\$/kW	2.7075
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	0.7986

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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 Condition of Service.

APPLICATION

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	4.55
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STANDBY POWER SERVICE CLASSIFICATION

This classification applies to an account with load displacement facilities that contracts with the distributor to provide emergency standby power when its load displacement facilities are not in operation. The level of the billing demand will be agreed to by the distributor and the customer, based on detailed manufacturer information/documentation such as nameplate rating of the load displacement facility. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

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MONTHLY RATES AND CHARGES - Delivery Component - Approved on an Interim Basis

Standby Charge - for a month where standby power is not provided, the charge is based on the applicable General Service 50 to 4,999 kW or Large use Distribution Volumetric Charge applied to the contracted amount (e.g. nameplate rating of generation facility).

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ALLOWANCES

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

SPECIFIC SERVICE CHARGES**APPLICATION**

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Customer Administration

Returned cheque (plus bank charges)	\$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	20.00
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	\$	95.00

Other

Meter removal without authorization	\$	355.00
Service call - after regular hours	\$	105.00
Specific charge for access to the power poles - \$/pole/year (with the exception of wireless attachments) - Approved on an Interim Basis	\$	44.50

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RETAIL SERVICE CHARGES (if applicable)

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

One-time charge, per retailer, to establish the service agreement between the distributor and the retailer	\$	104.24
Monthly fixed charge, per retailer	\$	41.70
Monthly variable charge, per customer, per retailer	\$/cust.	1.04
Distributor-consolidated billing monthly charge, per customer, per retailer	\$/cust.	0.62
Retailer-consolidated billing monthly credit, per customer, per retailer	\$/cust.	(0.62)
Service Transaction Requests (STR)		
Request fee, per request, applied to the requesting party	\$	0.52
Processing fee, per request, applied to the requesting party	\$	1.04
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)	\$	4.17
Notice of Switch letter charge, per letter	\$	2.08

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	1.0350
Total Loss Factor - Secondary Metered Customer > 5,000 kW	1.0154
Total Loss Factor - Primary Metered Customer < 5,000 kW	1.0226
Total Loss Factor - Primary Metered Customer > 5,000 kW	1.0053