

DECISION AND RATE ORDER EB-2021-0034

HYDRO ONE REMOTE COMMUNITIES INC.

Application for rates and other charges to be effective May 1, 2022

BY DELEGATION, BEFORE: Theodore Antonopoulos

Vice President Applications

[date]

1 OVERVIEW

The Ontario Energy Board is approving changes to the rates that Hydro One Remote Communities Inc. (Hydro One Remotes) charges to distribute electricity to its customers, effective May 1, 2022.

As a result of this Decision, there will be a monthly total bill increase of \$3.16 for a residential customer consuming 750 kWh, effective May 1, 2022. This change does not factor in applicable taxes or the Ontario Electricity Rebate.



2 CONTEXT AND PROCESS

Hydro One Remotes filed its application on November 3, 2021 under section 78 of the Ontario Energy Board Act, 1998 and in accordance with Chapter 3 of the OEB's Filing Requirements for Incentive Rate-Setting Applications. The application was based on the Price Cap Incentive Rate-setting (Price Cap IR) option, with a five-year term.

The Price Cap IR option is one of three incentive rate-setting mechanisms (IRM) approved by the OEB.¹ It involves the setting of rates through a cost of service application in the first year and mechanistic price cap adjustments which may be approved through IRM applications in each of the ensuing four adjustment years.

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. A distributor will then review, complete, and include the model with its application, and may update the model during the proceeding to make any necessary corrections or to incorporate new rate-setting parameters as they become available. The Rate Generator Model prepared by the OEB for distributors filing IRM applications does not accommodate Hydro One Remotes' unique circumstances. Hydro One Remotes has therefore used its own model, using its 2021-approved rates as the basis, for calculating 2022 rates.

Hydro One Remotes serves approximately 4,100 mostly residential and commercial electricity customers in in 22 geographically isolated communities in Northern Ontario.

As Hydro One Remotes is not connected to a transmission grid and is therefore not billed by the Independent Electricity System Operator, and does not pay taxes, many of the standard issues that apply to other distributors do not apply in this case.

The application was supported by pre-filed written evidence and a completed Rate Generator Model and as required during the proceeding, Hydro One Remotes updated and clarified the evidence.

¹ Each of these options is explained in the OEB's <u>Handbook for Utility Rate Applications</u>.

3 DECISION OUTLINE

As noted above, due to Hydro One Remotes' unique circumstances, many of the standard issues that apply to other distributors in an IRM proceeding do not apply in this case. In this Decision, the OEB accepts the Price Cap adjustment proposed by Hydro One Remotes.

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 prior proceedings, such as specific service charges², which are out of scope of an IRM proceeding and for which no further approvals are required to continue to include them on the distributor's Tariff of Rates and Charges.



² Certain service charges are subject to annual adjustments to be determined by the OEB through a generic order. For example, the Decision and Order EB-2021-0301, issued November 25, 2021 established the adjustment for energy retailer service charges, effective January 1, 2022; and the Decision and Order EB-2021-0302, issued December 16, 2021, established the 2022 Wireline Pole Attachment Charge, effective January 1, 2022.

4 ANNUAL ADJUSTMENT MECHANISM

Hydro One Remotes has applied to change its rates, effective May 1, 2022, based on a mechanistic rate adjustment using the OEB-approved **inflation minus X-factor** formula applicable to IRM applications. The adjustment applies to distribution rates (fixed and variable) uniformly across all customer classes.³

The components of the Price Cap IR adjustment formula applicable to Hydro One Remotes are set out in the table below. Inserting these components into the formula results in a 3.30% increase to Hydro One Remotes' rates: 3.30% = 3.30% - (0.00% + 0.00%).

Table 4.1: Price Cap IR Adjustment Formula

An inflation factor of 3.30% applies to all IRM applications for the 2022 rate year.

On August 6, 2021, the OEB issued a Notice on its own motion to initiate a proceeding to consider the inflation factor to be used to set rates for electricity transmitters and electricity and natural gas distributors for the year 2022. The OEB issued its Decision and Order on November 18, 2021, establishing the 2022 inflation factor.

The X-factor is the sum of the productivity factor and the stretch factor. It is a productivity offset that varies 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

Draft - Decision and Rate Order [date of issuance]

³ For all distributors, including to Hydro One Remotes as applicable, the adjustment does not apply to the following components of delivery rates: 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.

⁴ EB-2021-0212, Decision and Order, November 18, 2021

⁵ Report of the Ontario Energy Board – "Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors", EB-2010-0379, December 4, 2013

⁶ Report to the Ontario Energy Board – "Empirical Research in Support of Incentive Rate-Setting: 2020 Benchmarking Update", prepared by Pacific Economics Group LLC., August 2021

net income. The productivity component of the X-factor is based on industry conditions over a historical study period and applies to all IRM applications for the 2022 rate year. The stretch factor component of the X-factor is distributor specific. The OEB has established five stretch factor groupings, 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.

Hydro One Remotes is excluded from the OEB's benchmarking analysis because of its unique circumstances. As noted in prior OEB decisions, Hydro One Remotes is unique in terms of its operating characteristics and cost recovery due to the Rural or Remote Electricity Rate Protection (RRRP)

program⁷. Any surplus it achieves from efficiency gains is recorded in the RRRP variance account and returned to RRRP ratepayers of Ontario. The imposition of a stretch factor greater than 0% serves only to lower customer rates and increase the amount paid by RRRP ratepayers. The assignment of a higher stretch factor would not provide the intended incentive to the distributor or benefit to its customers.⁸

Findings

Hydro One Remotes' request for a 3.30% rate adjustment is in accordance with the annually updated parameters set by the OEB. The adjustment is approved, and Hydro One Remotes' new rates shall be effective May 1, 2022.

⁷ Decision on Hydro One Remotes' 2014 IRM application (EB-2013-0142)

⁸ EB-2013-0142, Decision and Rate Order, Pages 3 - 4

5 IMPLEMENTATION

This Decision is accompanied by a rate model, and a Tariff of Rates and Charges (Schedule A).

Model entries were reviewed in order to ensure that they are in accordance with Hydro One Remotes' last cost of service decision, and the 2021 OEB-approved Tariff of Rates and Charges.

The rate model was adjusted, where applicable, to correct any discrepancies.

In the *Report of the Board: Review of Electricity Distribution Cost Allocation Policy*, ⁹ 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. On January 26, 2022, the OEB issued a letter advising electricity distributors that the microFIT charge shall remain at \$4.55 for the duration of the 2022 calendar year.

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⁹ EB-2010-0219, Report of the Board "Review of Electricity Distribution Cost Allocation Policy", March 31, 2011

6 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The Tariff of Rates and Charges set out in Schedule A of this Decision and Rate Order is approved effective May 1, 2022 for electricity consumed or estimated to have been consumed on and after such date. Hydro One Remotes Communities Inc. shall notify its customers of the rate changes no later than the delivery of the first bill reflecting the new final rates.

DATED at Toronto, [date of issuance]

ONTARIO ENERGY BOARD

Nancy Marconi Registrar

Schedule A

To Decision and Rate Order

Tariff of Rates and Charges

OEB File No: EB-2021-0034

DATED: [date of issuance]

Effective and Implementation Date May 1, 2022

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

EB-2021-0034

NON STANDARD A YEAR ROUND RESIDENTIAL SERVICE CLASSIFICATION – R2

This classification refers to a residential service that is the principal residence of the customer. This classification may include additional buildings served through the same meter, provided they are not rental income units. To be classed as year round residential, all of the following criteria must be met:

- Occupants must state that this is their principal residence for purposes of the Income Tax Act;
- The occupant must live in this residence for at least 8 months of the year;
- The address of this residence must appear on the occupant's electric bill, driver's licence, credit card invoice, property tax bill, etc.;
- Occupants who are eligible to vote in Provincial or Federal elections must be enumerated for this purpose at the address
 of this residence.

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.

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.

Service Charge	\$	21.64
Electricity Rate - First 1,000 kWh	\$/kWh	0.1018
Electricity Rate - Next 1,500 kWh	\$/kWh	0.1358
Electricity Rate - All Additional kWh	\$/kWh	0.2047

Effective and Implementation Date May 1, 2022

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

EB-2021-0034

NON STANDARD A SEASONAL RESIDENTIAL SERVICE CLASSIFICATION – R4

This classification is comprised of any residential service not meeting the year-round residential criteria. As such, the seasonal residential class includes cottages, chalets, and camps. 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.

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Service Charge		\$	36.57
Electricity Rate - First 1,000 kWh		\$/kWh	0.1018
Electricity Rate - Next 1,500 kWh		\$/kWh	0.1358
Electricity Rate - All Additional kWh		\$/kWh	0.2047

Effective and Implementation Date May 1, 2022
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EB-2021-0034

NON STANDARD A GENERAL SERVICE SINGLE PHASE SERVICE CLASSIFICATION – G1

This classification is applicable to any service that does not fit the description of the year-round residential or seasonal residential. Generally, it is comprised of commercial, administrative, recreational, and auxiliary services. It includes combination of services where a variety of uses are made of the service by the owner of one property, and all multiple services except residential. This classification is applicable to General Service Single Phase customers. 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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Service Charge	\$	36.79
Electricity Rate - First 6,000 kWh	\$/kWh	0.1141
Electricity Rate - Next 7,000 kWh	\$/kWh	0.1514
Electricity Rate - All Additional kWh	\$/kWh	0.2047

Effective and Implementation Date May 1, 2022
This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2021-0034

NON STANDARD A GENERAL SERVICE THREE PHASE SERVICE CLASSIFICATION – G3

This classification is applicable to any service that does not fit the description of the year-round residential or seasonal residential. Generally, it is comprised of commercial, administrative, recreational, and auxiliary services. It includes combination of services where a variety of uses are made of the service by the owner of one property, and all multiple services except residential. This classification is applicable to General Service Three Phase customers. 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.

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Service Charge	\$	46.06
Electricity Rate - First 25,000 kWh	\$/kWh	0.1141
Electricity Rate - Next 15,000 kWh	\$/kWh	0.1514
Electricity Rate - All Additional kWh	\$/kWh	0.2047

Effective and Implementation Date May 1, 2022
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STREET LIGHTING SERVICE CLASSIFICATION

The energy consumption for street lights is estimated based on Remotes' profile for street lighting load, which provides the amount of time each month that the street lights are operating. Streetlight charges include:

- An energy charge based on installed load, at a rate approved annually (Dollars per kWh x # of fixtures x billing);
- A pole rental charge approved annually, when the light is attached to a Remotes' pole.

Remotes must approve the location of new lighting installations on its poles and the streetlight owner must enter into an agreement to use such poles. Remotes will make the electrical service connection of all streetlights to the distribution system. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

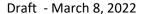
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MONTHLY RATES AND CHARGES

Electricity Rate \$/kWh 0.1132



Effective and Implementation Date May 1, 2022
This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2021-0034

STANDARD A RESIDENTIAL ROAD/RAIL ACCESS SERVICE CLASSIFICATION

Standard A rates are applicable to all accounts paid directly or indirectly out of Federal and/or Provincial government revenue, subject to the following exceptions:

- Canada Post Corporation, Hydro One Inc. or a subsidiary of Hydro One Inc.
- social housing
- a recreational or sports facility
- · a radio, television or cable television facility
- a library

Any Standard A account may be reclassified as General Service, Residential Year-Round or Residential-Seasonal at any time. To reclassify a Standard A account, a letter from the accountable Federal and/or Provincial Government agency must be provided to Remotes stating that the account does not receive any direct and/or indirect funding of a continuous nature. An alternative to this letter would be a declaration from a Director of the organization stating that the organization receives no funding. This declaration must be accompanied by an audited statement, which includes the funding source. An example of direct funding is an MTO account paid directly by MTO. An example of indirect funding is a First Nation School account paid by a First Nation through funding by Aboriginal Affairs and Northern Development Canada. Further servicing details are available in the distributor's Conditions of Service.

This classification is applicable to residential customers in communities that are accessible by a year-round road or by rail.

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.

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.

Electricity Rate - First 250 kWh	\$/kWh	0.6704
Electricity Rate - All Additional kWh	\$/kWh	0.7660

Effective and Implementation Date May 1, 2022
This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

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STANDARD A RESIDENTIAL AIR ACCESS SERVICE CLASSIFICATION

Standard A rates are applicable to all accounts paid directly or indirectly out of Federal and/or Provincial government revenue, subject to the following exceptions:

- Canada Post Corporation, Hydro One Inc. or a subsidiary of Hydro One Inc.
- social housing
- a recreational or sports facility
- a radio, television or cable television facility
- a library

Any Standard A account may be reclassified as General Service, Residential Year-Round or Residential-Seasonal at any time. To reclassify a Standard A account, a letter from the accountable Federal and/or Provincial Government agency must be provided to Remotes stating that the account does not receive any direct and/or indirect funding of a continuous nature. An alternative to this letter would be a declaration from a Director of the organization stating that the organization receives no funding. This declaration must be accompanied by an audited statement, which includes the funding source. An example of direct funding is an MTO account paid directly by MTO. An example of indirect funding is a First Nation School account paid by a First Nation through funding by Indian and Northern Affairs Canada. Further servicing details are available in the distributor's Conditions of Service.

This classification is applicable to residential customers in communities that are not accessible by a year-round road or by rail.

APPLICATION

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

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

Electricity Rate - First 250 kWh	\$/kWh	1.0121
Electricity Rate - All Additional kWh	\$/kWh	1.1077

Effective and Implementation Date May 1, 2022
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STANDARD A GENERAL SERVICE ROAD/RAIL ACCESS SERVICE CLASSIFICATION

Standard A rates are applicable to all accounts paid directly or indirectly out of Federal and/or Provincial government revenue, subject to the following exceptions:

- Canada Post Corporation, Hydro One Inc. or a subsidiary of Hydro One Inc.
- social housing
- a recreational or sports facility
- a radio, television or cable television facility
- a library

Any Standard A account may be reclassified as General Service, Residential Year-Round or Residential-Seasonal at any time. To reclassify a Standard A account, a letter from the accountable Federal and/or Provincial Government agency must be provided to Remotes stating that the account does not receive any direct and/or indirect funding of a continuous nature. An alternative to this letter would be a declaration from a Director of the organization stating that the organization receives no funding. This declaration must be accompanied by an audited statement, which includes the funding source. An example of direct funding is an MTO account paid directly by MTO. An example of indirect funding is a First Nation School account paid by a First Nation through funding by Indian and Northern Affairs Canada. Further servicing details are available in the distributor's Conditions of Service.

This classification is applicable to all non-residential Standard A customers in communities that are accessible by a year-round road or by rail.

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

Electricity Rate \$/kWh 0.7660

Effective and Implementation Date May 1, 2022
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EB-2021-0034

STANDARD A GENERAL SERVICE AIR ACCESS SERVICE

Standard A rates are applicable to all accounts paid directly or indirectly out of Federal and/or Provincial government revenue, subject to the following exceptions:

- Canada Post Corporation, Hydro One Inc. or a subsidiary of Hydro One Inc.
- social housing
- · a recreational or sports facility
- · a radio, television or cable television facility
- a library

Any Standard A account may be reclassified as General Service, Residential Year-Round or Residential-Seasonal at any time. To reclassify a Standard A account, a letter from the accountable Federal and/or Provincial Government agency must be provided to Remotes stating that the account does not receive any direct and/or indirect funding of a continuous nature. An alternative to this letter would be a declaration from a Director of the organization stating that the organization receives no funding. This declaration must be accompanied by an audited statement, which includes the funding source. An example of direct funding is an MTO account paid directly by MTO. An example of indirect funding is a First Nation School account paid by a First Nation through funding by Indian and Northern Affairs Canada. Further servicing details are available in the distributor's Conditions of Service.

This classification is applicable to all non-residential Standard A customers in communities that are not accessible by a year-round road or by rail.

APPLICATION

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MONTHLY RATES AND CHARGES

Electricity Rate \$/kWh 1.1077

Effective and Implementation Date May 1, 2022
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EB-2021-0034

STANDARD A GRID CONNECTED SERVICE CLASSIFICATION

This classification is applicable to all Standard A customers in communities that are connected to the grid and are not accessible by a year-round road or by rail.

APPLICATION

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MONTHLY RATES AND CHARGES

Electricity Rate \$/kWh 0.3470

Effective and Implementation Date May 1, 2022
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EB-2021-0034

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

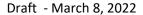
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MONTHLY RATES AND CHARGES – Delivery Component

Service Charge \$ 4.55



Effective and Implementation Date May 1, 2022
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SPECIFIC SERVICE CHARGES

APPLICATION

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Customer Administration

Arrears certificate	\$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	30.00
Returned cheque (plus bank charges)	\$	15.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	30.00
Non-Payment of Account		
Late payment - per month	%	1.50
(effective annual rate 19.56% per annum or 0.04896% compounded daily rate)		
Reconnection – if in community	\$	65.00