

Fair and Affordable Distribution Charges

February 7, 2017





Delivery Charges

The delivery cost on electricity bills is composed of three drivers:

1. Transmission charges: variable charges that are applied relatively equally across all electricity consumers.
2. Distribution charges: composed of fixed and variable charges that vary greatly between LDCs. In particular rural distribution charges are disproportionately higher than urban distribution charges.
3. Line loss adjustment factor: a variable charge based on consumption.

Distribution charge inequity is the primary driver of customer dissatisfaction.

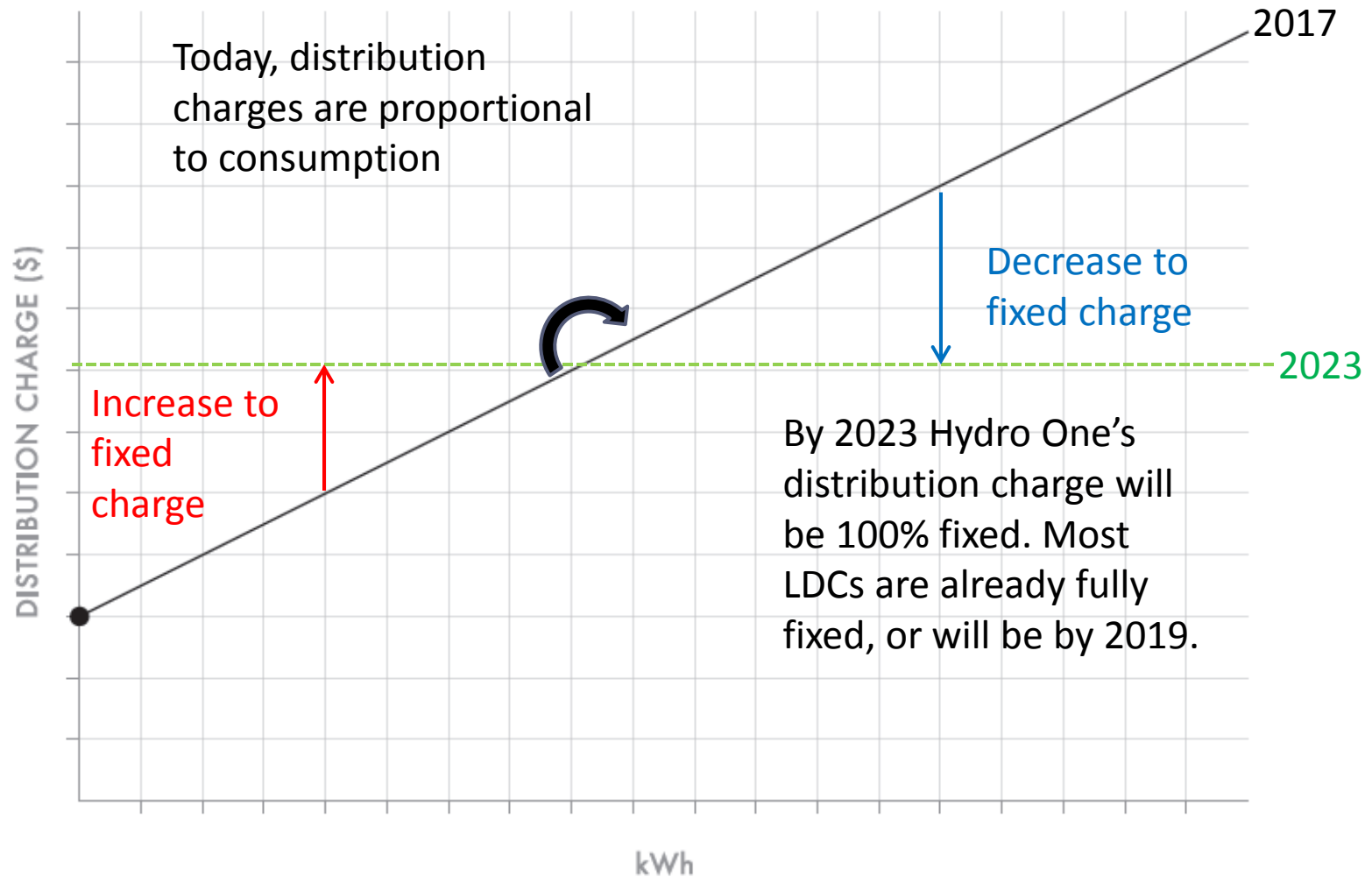


Hydro One's Proposal for Fair and Reasonable Rates

1. **Advance rate decoupling** for rural consumers who will ultimately benefit from a fixed distribution charge.
2. **Reduce rural distribution charges** so they are in line with the provincial average, and much closer to urban rates

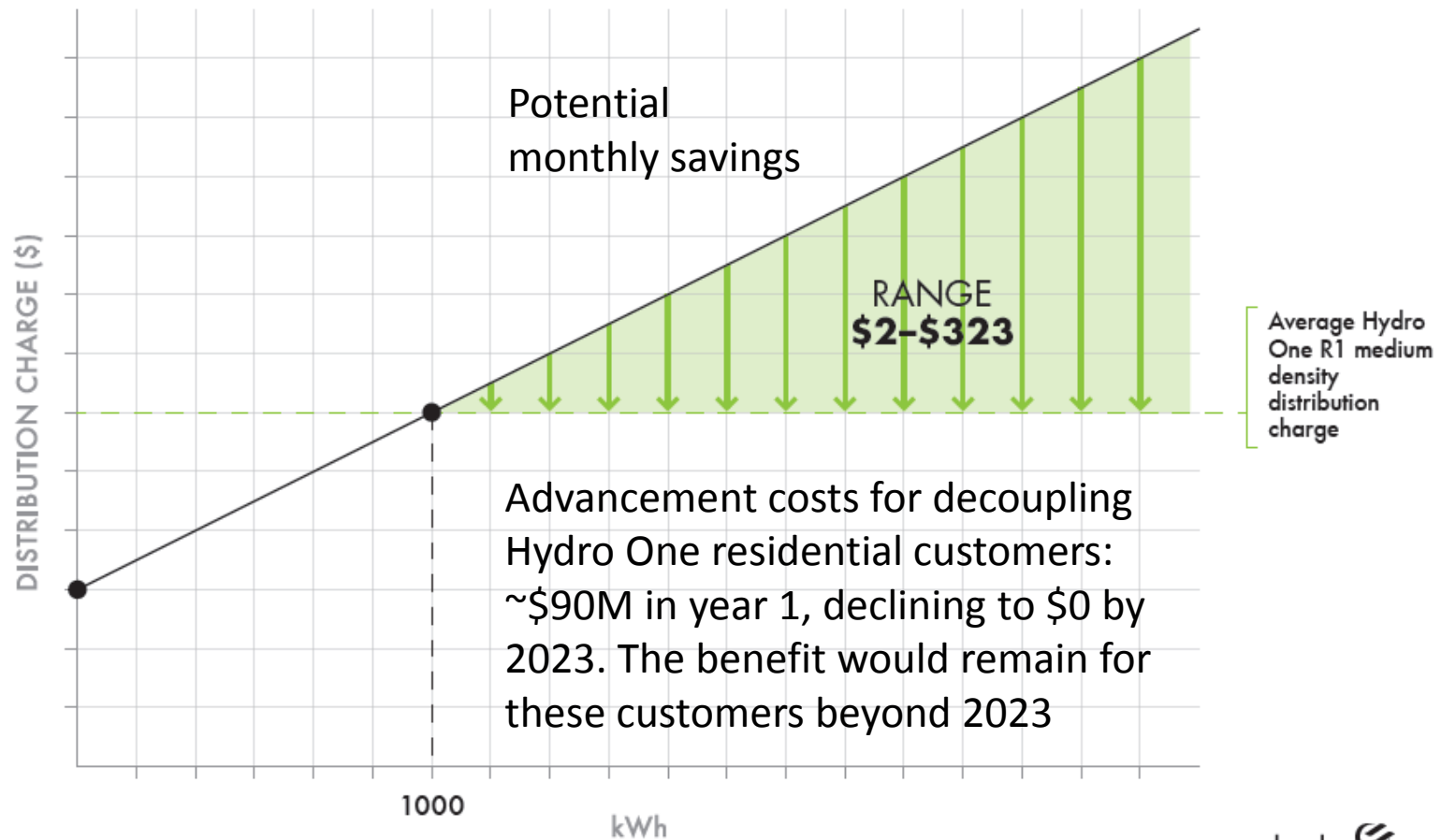


Decoupling Distribution Charges by 2023





Advancing Rate Decoupling





Provincial Distribution Charges

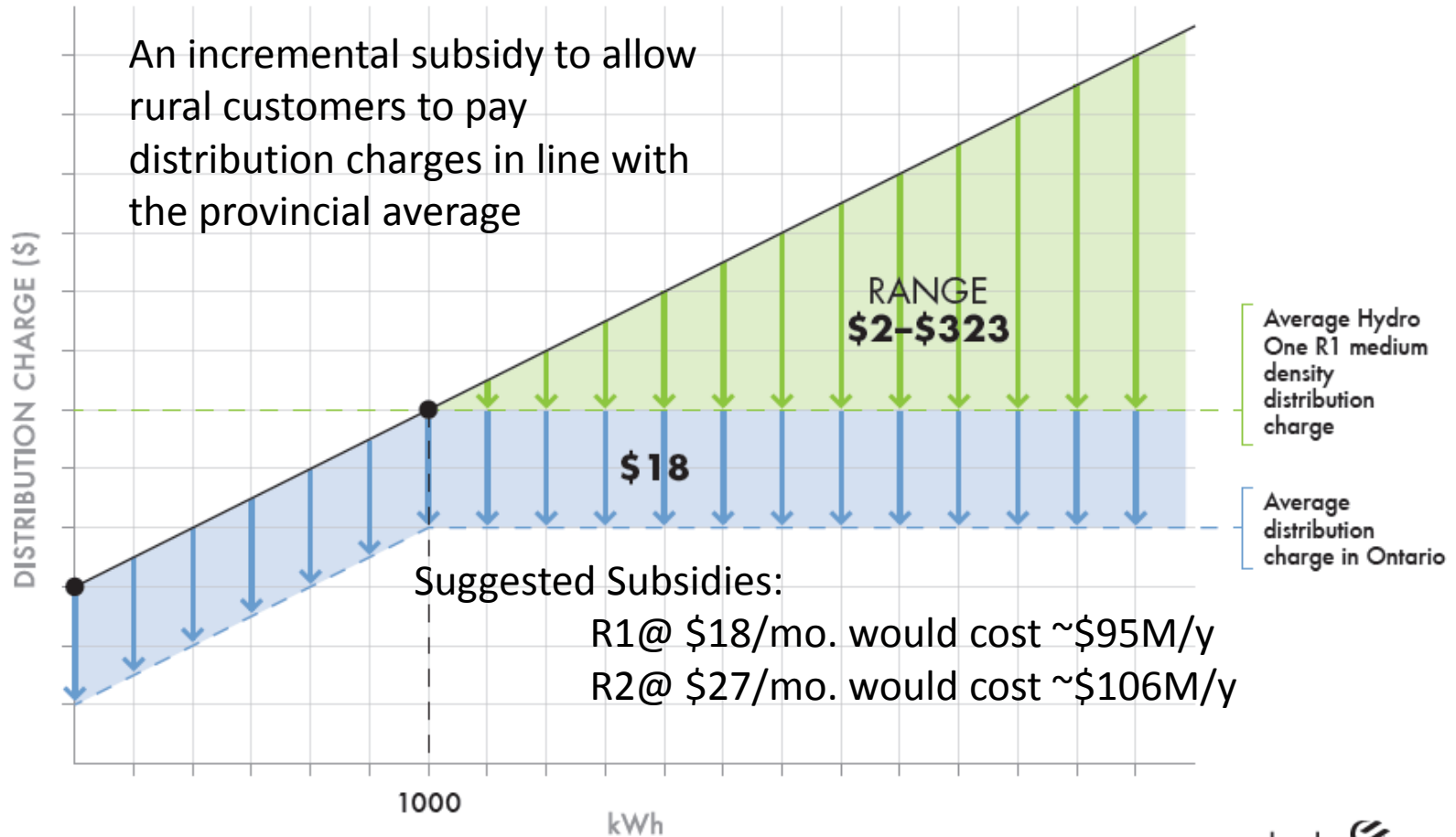
- ▶ 71 Local Distribution Companies
- ▶ 74 Distribution charges (Hydro One has 4)

Using 2015 Distributors Handbook Data

- | | |
|--|-------------|
| ▶ Hydro One Low Density (R2) monthly avg. | \$117 |
| ▶ Hydro One Medium Density (R1) monthly avg. | \$57 |
| ▶ Lowest LDC | \$16 |
| ▶ Toronto Hydro | \$32 |
| ▶ LDC Average | \$38 |



Reducing Rural Distribution Charges





Examples of Delivery Charge Savings

	R1			R2		
	500kWh	1000kWh	2500kWh	500kWh	1000kWh	2500kWh
Current Delivery Charge	\$57	\$79	\$143	\$52	\$83	\$174
Rate Decoupling	\$0	\$0	-\$34	\$0	\$0	-\$47
Rural Reduction	-\$18	-\$18	-\$18	-\$27	-\$27	-\$27
Delivery Charge After	\$39	\$61	\$91	\$25	\$56	\$100
Total Savings	\$18	\$18	\$52	\$27	\$27	\$74



Applicability to other LDCs

- ▶ Advancing Decoupling:
 - Most LDCs are very close to a decoupled rate already, or will be by 2019.
 - Quantifying the advancement cost for other LDCs is not possible without consumption profiles.
 - Implementation will likely be a \$0 charge for consumption above the average total consumption. Hydro One's R1 threshold is approximately 1000kWh.
- ▶ Reducing Rural Distribution Charges to the LDC Average
 - Atikokan Hydro Inc. ~\$8/mo. Cost \$135k
 - Chapleau PUC ~\$4/mo. Cost \$50k
 - Sioux Lookout ~\$3/mo. Cost \$85k
 - * Algoma – Data not available