



Ontario Energy Board Commission de l'énergie de l'Ontario

DECISION AND ORDER

EB-2017-0234

**In the matter of the Rural or Remote Electricity Rate Protection
charge and Distribution Rate Protection effective July 1, 2017**

BY DELEGATION, BEFORE: Theodore Antonopoulos

JUNE 22, 2017

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1 INTRODUCTION

This Decision and Order addresses two components of the Fair Hydro Plan recently unveiled by the Government of Ontario. The Government has stated that the Fair Hydro Plan will lower electricity bills by 25% on average for all residential consumers, as well as many small business and farms. One of the measures included in the Fair Hydro Plan is to shift much of the cost of the Rural or Remote Electricity Rate Protection (RRRP) program from ratepayers to provincial revenues. Another measure is a new Distribution Rate Protection (DRP) program for residential customers who live in areas with higher distribution costs, also funded through provincial revenues.

This Decision and Order sets a revised RRRP charge to be applied on customer bills by all rate-regulated utilities and a new maximum base distribution charge to be applied to customer bills by all utilities subject to the DRP program.

2 SUMMARY

Every year, the Ontario Energy Board (OEB) sets the rates that all licensed and rate-regulated Ontario distributors charge their customers in order to fund the RRRP program, established under section 79 of the *Ontario Energy Board Act, 1998* (OEB Act). The RRRP is designed to reduce costs for eligible customers located in certain rural or remote areas, where the cost of distributing electricity is higher. To date, the cost of the RRRP program has been recovered from all electricity customers in the province through a charge that is reviewed annually and approved by the OEB.

The current RRRP charge, which has been in place since January 1, 2017, is 0.21 ¢/kWh. As a result of recent changes to Ontario Regulation 442/01 (the RRRP Regulation), which will take effect on July 1, 2017, the cost of providing RRRP to eligible customers of Hydro One Networks Inc. will move to provincial revenues. The OEB is therefore re-setting the charge. The new charge, which will apply to electricity consumed on or after July 1, 2017, will fall to 0.03¢/kWh.

Everything else being equal, the total monthly bill impact of the lower RRRP charge for a residential customer consuming 750 kilowatt-hours per month will be a reduction of \$1.42, from \$1.66 to \$0.24¹.

This charge will supersede the charge currently appearing on the tariffs of rates and charges of all licensed Ontario electricity distributors. The RRRP charge will continue to be included in the Regulatory Charge on customers' bills.

This Decision and Order also establishes the maximum monthly base distribution charge that can be charged to a residential customer of utilities subject to the DRP program. The maximum charge that these utilities are allowed to charge their customers effective with July 1, 2017 consumption is \$36.43 per month.

At this time, the OEB is not amending utility-specific tariffs of rates and charges to reflect the above changes. The OEB will update each tariff to reflect the new RRRP charge and, where applicable, the maximum monthly base distribution charge for DRP customers, at the next rate application filed by each utility. Utilities must however commence charging the new rates, as applicable, effective with July 1, 2017 consumption.

A third aspect of the Fair Hydro Plan is the new First Nations Delivery Credit established under section 79.4 of the OEB Act and funded through provincial revenues. Distributors serving eligible First Nations customers must provide a monthly credit in accordance

¹ 750 kWh x 1.0519 (average loss factor) x (\$0.0021-\$0.0003) = \$1.42

with Ontario Regulation 197/17, which comes into force on July 1, 2017. For most affected utilities, the credit will be equal to 100% of the delivery charge. The OEB is not required to make an order in this regard. Although not dealt with directly in this Decision and Order, the OEB takes this opportunity to remind distributors that eligible on-reserve residential First Nations customers will be entitled to the credit for electricity consumed on or after July 1, 2017.

3 THE PROCESS

The calculation of the RRRP charge and the calculation of the maximum monthly base distribution charge for DRP customers are both largely mechanistic exercises. Accordingly, this Decision and Order is issued by a delegated decision-maker without a hearing pursuant to subsection 6(4) of the OEB Act. The rates established in this Decision and Order will be in respect of electricity consumed on or after July 1, 2017.

4 RURAL OR REMOTE ELECTRICITY RATE PROTECTION

Currently, all customers in Ontario pay the OEB-approved RRRP charge based on how much electricity they consume. The total amount collected through the RRRP is a source of revenue for identified rural or remote electricity distributors whose costs are higher because they serve small numbers of customers over large geographic areas or in remote regions. The RRRP revenue allows them to reduce the amount they would otherwise have to charge eligible customers for distribution service.

The OEB approves a RRRP benefit amount to be collected from electricity distributors by the IESO each year. Electricity distributors in turn levy an OEB-approved retail RRRP charge to recover the RRRP amount paid to the IESO. The OEB last approved a RRRP charge of \$0.0021/kWh², effective January 1, 2017, on December 15, 2016. This charge was calculated by dividing the total amount of rate protection to be provided by the IESO's forecast consumption for 2017.

As a result of the recent amendments to the RRRP Regulation, which take effect July 1, 2017, RRRP funding for eligible rural customers of Hydro One Networks Inc. (i.e., the R2 rate class), will move from the RRRP charge to provincial revenues. All grid-connected customers will therefore see a decrease in the RRRP charge.

The resulting RRRP requirement for the remainder of 2017 is shown in the table below. The Hydro One Networks Inc. portion of the RRRP, which will now be recovered through the tax base, has been removed from the total. The remaining benefit amounts and IESO 2016 over-collection have been reduced by 50%, reflecting the estimated remaining amounts for 2017. In addition, the amended RRRP Regulation requires a true-up of the RRRP benefit amounts paid by Hydro One Networks Inc. to its customers for electricity consumed before the amendments take effect on July 1, 2017 but billed on or after January 1, 2017, including for electricity that was consumed in December 2016 but not billed until January 1, 2017 or later. Under subsection 5(17) of the amended regulation, the OEB must take into account any amounts owed by Hydro One Networks Inc. to the IESO, or vice versa, when setting the RRRP charge for July 1, 2017, and must rely on any information in that regard provided by Hydro One Networks Inc. In response to the OEB's request, Hydro One Networks Inc. has advised that it estimates the net balance of its credits to customers and payments from the IESO up to June 30, 2017 will be \$1,780,974 owing to the IESO.³ This has been incorporated into the calculation of the RRRP charge for July 1, 2017.

² EB-2016-0362: Decision on Regulatory Charges for 2017 and Order, December 15, 2017.

³ Letter from Hydro One Networks Inc. to the OEB, June 20, 2017.

TOTAL RRRP REQUIREMENT for July 1, 2017 to December 31, 2017

(\$ in millions)

IESO Estimated Surplus 2016/17*	-\$	6.4517
Hydro One Networks Inc.	\$	-
First Nations (O. Reg. 442/01, schedule 1)	\$	0.8000
Algoma Power	\$	6.7495
Hydro One Remote Communities Inc.	\$	16.1295
Total	\$	17.2273

*-\$9.3416M from 2016/2 = -\$4.6708M-\$1.7809M from 2017 = -\$6.4517M balance outstanding

Determining the July 1, 2017 RRRP charge

The RRRP amount required to be collected from ratepayers for the balance of 2017 is \$17.23 million. The IESO's full-year 2017 energy forecast was 134.3 TWh. As an updated forecast for the remainder of 2017 is not available, the calculation assumes 50% of the full-year forecast, or 67.15 TWh is outstanding. The resulting rounded RRRP rate is calculated to decrease from the current 2017 rate of \$0.0021 per kilowatt-hour to \$0.0003 per kilowatt-hour.

Any over- or under-recovery of the total RRRP amount recovered in 2017 through ratepayer funds by the IESO shall continue to be tracked in the variance account held by the IESO. As required under subsections 5(12) and (13) of the RRRP Regulation, the OEB will include any future variance account balance when it calculates the RRRP charge for 2018.

Findings

Based on the methodology described above, the OEB finds that, for electricity consumed on or after July 1, 2017, the RRRP charge to be collected by the IESO shall decrease to \$0.0003 per kilowatt-hour. The RRRP charge distributors bill to their customers shall also decrease to \$0.0003 per kilowatt-hour effective with July 1, 2017 consumption.

5 DISTRIBUTION RATE PROTECTION

The OEB Act was recently amended to add a new section 79.3, which establishes the DRP program, to be funded through provincial revenues. Beginning on July 1, 2017, eligible residential customers served by the following utilities will qualify for DRP. Eligibility is prescribed in Ontario Regulation 198/17 (the DRP Regulation):

Utility	Class
Algoma Power Inc.	Residential – R1
Atikokan Hydro Inc.	Residential
Chapleau Public Utilities Corporation	Residential
Hydro One Networks Inc.	Residential – R1 and R2
InnPower Corporation	Residential
Lakeland Power Distribution Ltd. (former Parry Sound Power service area)	Residential
Northern Ontario Wires Inc.	Residential
Sioux Lookout Hydro Inc.	Residential

The DRP program provides for a cap on the amount that can be charged for base distribution charges, which consist of the base monthly fixed service charge and base variable distribution charge. The OEB calculates the cap or maximum monthly base distribution charge based on the parameters outlined in the DRP Regulation. The regulation requires the OEB to establish the maximum charge based on the lowest of the base distribution charges of the above distributors that have had rates approved by the OEB effective January 1, 2017 or after. All rate riders and adders, including those that are intended to recover a distributor's costs, are excluded from the calculation of the maximum base distribution charge and from the actual monthly base distribution charge to which the maximum charge will be compared in order to determine which one of the two charges will be billed to eligible customers.

All the distributors named in the DRP Regulation have had rates approved by the OEB effective January 1, 2017 or after, except Chapleau Public Utilities Corporation and InnPower Corporation. The OEB has used the approved distribution charges of the other six utilities (seven classes) to set the maximum monthly base distribution charge.

The monthly base distribution charge for each of the seven residential classes was calculated based on the 2017 approved monthly fixed charge divided by the percentage of revenue for the class collected through the fixed monthly service charge in the most recent application filed by each of the subject utilities. For example, if the approved 2017 monthly fixed charge is \$20.00 and 65% of the class revenue is currently collected by the monthly fixed service charge, the monthly base distribution charge for this example utility would be $\$20.00 / 0.65 = \30.77 . This is used as a proxy for a fully fixed distribution charge. Once a proxy charge is calculated for each of the seven classes noted above, the lowest charge is established as the maximum charge that all utilities noted above, including Chapleau and InnPower, can charge their eligible residential customers as a base distribution charge effective with July 1, 2017 consumption. The proxy charges calculated for the applicable distributors are shown in the table below:

2017 Fully Fixed Distribution Charge for Named LDCs

LDC	Calculated Fully Fixed Distribution Charge
Hydro One Networks Inc. R2*	\$65.02
Hydro One Networks Inc. R1	\$55.36
Algoma Power Inc.*	\$54.85
Atikokan Hydro Inc.	\$46.68
Sioux Lookout Hydro Inc.	\$43.22
Lakeland Power Distribution Ltd. (former Parry Sound Power service area)	\$41.72
Northern Ontario Wires Inc.	\$36.43

*reflects funding from RRRP program

Findings

The OEB has determined that of the seven classes, the one with the lowest charge, calculated on a fully fixed basis, is the Northern Ontario Wires Inc. residential class, at \$36.43 per month. Accordingly, \$36.43 will be the maximum monthly base distribution charge for all DRP-eligible customers.

All of the named distributors must calculate the monthly base distribution amount for customers in the applicable classes, with respect to electricity consumed on or after July 1, 2017, as per the normal course, and then compare the actual base distribution charge to the maximum charge approved in this Decision and Order and charge eligible customers no more than the maximum amount.

6 ORDER

Attached to this Decision and Order as Schedules A, B and C are communications to the IESO regarding the RRRP, and to distributors and retailers regarding the RRRP charge and the DRP maximum charge for July 1, 2017, respectively.

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The IESO's RRRP charge shall be \$0.0003 per kilowatt-hour for electricity consumed on or after July 1, 2017.
2. The RRRP charge used by rate-regulated distributors to bill their customers shall be \$0.0003 per kilowatt-hour for electricity consumed on or after July 1, 2017. This unit rate shall apply to a customer's metered energy consumption adjusted by the distributor's OEB-approved Total Loss Factor.
3. Atikokan Hydro Inc., InnPower Corporation, Chapleau Public Utilities Corporation, Sioux Lookout Hydro Inc., Northern Ontario Wires Inc., Hydro One Networks Inc., Lakeland Power Distribution Inc., and Algoma Power Inc. shall not charge eligible DRP customers more than \$36.43 for monthly base distribution charges for electricity consumed on or after July 1, 2017.

DATED at Toronto, June 22, 2017

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

SCHEDULE A

EB-2017-0234

**COMMUNICATION TO THE IESO REGARDING THE RURAL OR
REMOTE ELECTRICITY RATE PROTECTION PROGRAM**

JUNE 22, 2017

**Ontario Energy
Board**
P.O. Box 2319
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BY EMAIL

June 22, 2017

Tam Wagner
Senior Manager, Regulatory Affairs
Independent Electricity System Operator
120 Adelaide Street West
Suite 1600
Toronto ON M5H 1T1

Dear Ms. Wagner:

**Re: Rural or Remote Electricity Rate Protection
OEB File No. EB-2017-0234**

On June 22, 2017 the Ontario Energy Board (OEB) issued its decision and rate order in proceeding EB-2017-0234 which set the Rural or Remote Electricity Rate Protection (RRRP) charge, effective July 1, 2017.

Amount to be charged by the IESO for RRRP

The OEB has determined that effective July 1, 2017 the RRRP charge to be collected by the IESO shall decrease to \$0.0003 per kilowatt-hour.

Yours truly,

Original Signed By

Kirsten Walli
Board Secretary

SCHEDULE B

EB-2017-0234

**COMMUNICATION TO DISTRIBUTORS AND RETAILERS REGARDING
THE RURAL OR REMOTE ELECTRICITY RATE PROTECTION
PROGRAM**

JUNE 22, 2017

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BY EMAIL

June 22, 2017

To: All Licensed and Rate-Regulated Electricity Distributors
All Licensed Electricity Retailers

**Re: Rural or Remote Electricity Rate Protection Charge
OEB File No. EB-2017-0234**

On June 22, 2017 the Ontario Energy Board (OEB) issued its Decision and Order in proceeding EB-2017-0234 which set the Rural or Remote Electricity Protection (RRRP) charge effective July 1, 2017.

Effective for electricity consumed on or after July 1, 2017, the amount to be charged by distributors and retailers with retailer-consolidated billing to their customers with respect to the RRRP shall be \$0.0003 per kilowatt-hour.

This unit rate shall apply to a customer's metered energy consumption adjusted by the distributor's OEB-approved Total Loss Factor.

Yours truly,

Original Signed By

Kirsten Walli
Board Secretary

SCHEDULE C
EB-2017-0234
COMMUNICATION TO DISTRIBUTORS
REGARDING THE DISTRIBUTION RATE PROTECTION PROGRAM
JUNE 22, 2017

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BY EMAIL

June 22, 2017

To: Atikokan Hydro Inc., InnPower Corporation, Chapleau Public Utilities Corporation, Sioux Lookout Hydro Inc., Northern Ontario Wires Inc., Hydro One Networks Inc., Lakeland Power Distribution Ltd., Algoma Power Inc.

**Re: Distribution Rate Protection
OEB File No. EB-2017-0234**

On June 22, 2017 the Ontario Energy Board (OEB) issued its decision and rate order in proceeding EB-2017-0234 which set the Rural or Remote Electricity Protection (RRRP) charge effective July 1, 2017. The Decision also established the maximum monthly base distribution charge for applicable customers under the Distribution Rate Protection program.

Distribution Rate Protection

Distribution Rate Protection shall apply to eligible customers, as defined in Regulation 198/17 or as described in the Decision.

Effective for electricity consumed on or after July 1, 2017, the maximum monthly base distribution charge for these eligible customers shall be \$36.43.

Yours truly,

Original Signed By

Kirsten Walli
Board Secretary