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Ontario

DECISION AND RATE ORDER

EB-2022-0186

**In the matter of Distribution Rate Protection effective
July 1, 2022**

By Delegation, Before: Theodore Antonopoulos
Vice President, Applications Division

June 16, 2022

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1 INTRODUCTION AND SUMMARY

In 2017, through amendments to the *Ontario Energy Board Act, 1998* (OEB Act) and a related regulation (the *DRP Regulation*),¹ the Government of Ontario established the Distribution Rate Protection (DRP) program for residential customers who live in certain areas with higher distribution costs, funded through provincial revenues.

This Decision and Order establishes the maximum monthly base distribution charge that utilities subject to the DRP program can charge an eligible residential customer for consumption on or after July 1, 2022. The maximum charge will increase by 3.3%, from \$36.86 to \$38.08 per month.

¹ Section 79.3 of the OEB Act and Ontario Regulation 198/17 (Distribution Rate-Protected Residential Consumers).

2 THE PROCESS

The calculation of the maximum monthly base distribution charge for DRP customers is largely a mechanistic exercise. Accordingly, this Decision and Order is being issued by a delegated decision-maker without a hearing pursuant to subsection 6(4) of the OEB Act. The maximum charge established in this Decision and Order will apply to electricity consumed on or after July 1, 2022.

3 ANALYSIS

Eligibility for the DRP is prescribed in the DRP Regulation. Eligible residential customers served by the following utilities qualify for the DRP:

| Utility | Class |
|---|-------------------------|
| Algoma Power Inc. | Residential – R1 |
| Atikokan Hydro Inc. | Residential |
| Chapleau Public Utilities Corp. | Residential |
| Hydro One Networks Inc. | Residential – R1 and R2 |
| InnPower Corp. | 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, for those distributors that still have one, the base variable distribution charge as well. The OEB calculates the cap or maximum monthly base distribution charge based on the parameters outlined in the DRP Regulation. The DRP Regulation requires the OEB to establish the maximum charge annually.

The DRP Regulation requires the OEB to set the maximum amount as the greater of: (a) the lowest of the monthly base distribution charges for the rate classes shown in the table above that were established in a rate order since the OEB's last determination of the maximum amount; and (b) the previously approved maximum amount, adjusted by the OEB's inflation factor for electricity distributors. The requirement to include an inflation adjustment in the calculation was introduced through [amendments](#) to the DRP Regulation that came into force on April 5, 2022.

The last time the OEB approved a maximum amount was on June 24, 2021, for electricity consumption beginning on July 1, 2021. That maximum amount was \$36.86,² which has been the maximum amount since 2018. Adjusting that amount by the OEB's approved 2022 inflation factor for electricity distributors – 3.3% – results in a maximum charge of \$38.08.³

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 eight distributors named in the DPR Regulation have had rates approved by the OEB since the last OEB determination of the maximum monthly base distribution charge. The OEB has used the approved distribution charges of these distributors to calculate the maximum monthly base distribution charge that will be effective July 1, 2022.

The eight named distributors are at various stages of their transition to fully fixed residential distribution rates. For five of the eight named distributors (identified by an asterisk below), the monthly base distribution charge is based on a fully fixed charge. For the others, the monthly base distribution charge was calculated based on the 2022 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 monthly fixed charge is \$40.00 and 90% of the class revenue is currently collected by the monthly fixed service charge (with the remainder collected by the volumetric charge), the monthly base distribution charge would be $\$40.00 / .90 = \44.44 . This is used as a proxy for a fully fixed distribution charge.

² [Decision and Order \(EB-2021-0189\), June 24, 2021.](#)

³ Decision and Order (EB-2021-0212), November 18, 2021.

**2021 Monthly Base Distribution Charge for Named LDCs
(Fully Fixed or Equivalent)**

| LDC | Fully Fixed or Equivalent Monthly Base Distribution Charge |
|---|--|
| Algoma Power Inc. † | \$60.27 |
| Atikokan Hydro Inc. | \$50.73* |
| Chapleau Public Utilities Corporation | \$55.21 |
| Hydro One Networks Inc.† | R1 - \$64.44, R2 - \$76.44 |
| InnPower Corporation | \$46.55* |
| Lakeland Power Distribution Ltd. (former Parry Sound Power service area) | \$36.55* |
| Northern Ontario Wires Inc. | \$40.32* |
| Sioux Lookout Hydro Inc. | \$51.26* |

* Monthly base distribution charge based on a fully fixed charge

† Reflects funding from the Rural or Remote Electricity Rate Protection program

4 FINDINGS

Of the eight utilities that had rates approved since the OEB's last determination of the DRP amount, the one with the lowest charge calculated on a fully fixed basis is Lakeland Power (former Parry Sound Power service area) at \$36.55 per month. This amount is lower than the previously approved DRP cap, as adjusted for inflation, of \$38.08 per month. Accordingly, \$38.08 will be the maximum monthly base distribution charge for DRP-eligible customers.

This means that a distributor must charge a DRP-eligible customer the lower of the amount the customer would owe for base distribution charges for the month as determined by the distributor in the normal course and the maximum charge of \$38.08. For Lakeland Power (former Parry Sound Power service area), whose approved fully fixed base distribution charge of \$36.55 is currently lower than the \$38.08 cap, the \$36.55 would apply.

The DRP amount is not currently shown on utility-specific tariffs of rates and charges; updates to the tariffs are therefore not required. The OEB will however require applicable electricity distributors (other than Lakeland Power, which is not affected by the change to the maximum charge) to notify affected customers of the change to the maximum charge given that this is the first change to the maximum charge since 2018.

5 ORDER

IT IS ORDERED THAT:

1. The maximum monthly base distribution charge for eligible Distribution Rate Protection customers is \$38.08 for electricity consumed on or after July 1, 2022.
2. Algoma Power Inc., Atikokan Hydro Inc., Chapleau Public Utilities Corporation, Hydro One Networks Inc., InnPower Corporation, Northern Ontario Wires Inc. and Sioux Lookout Hydro Inc. shall notify their affected customers of the rate change no later than the delivery of the first bill reflecting the new rates.

DATED at Toronto June 16, 2022

ONTARIO ENERGY BOARD

Nancy Marconi
Registrar

SCHEDULE A

DECISION AND ORDER

EB-2022-0186

**COMMUNICATION TO DISTRIBUTORS REGARDING THE
DISTRIBUTION RATE PROTECTION PROGRAM**

JUNE 16, 2022



Ontario
Energy
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de l'énergie
de l'Ontario

EB-2022-0186

BY EMAIL

June 16, 2022

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

Re: Distribution Rate Protection

On June 16, 2022 the Ontario Energy Board (OEB) issued a Decision and Order establishing the maximum monthly base distribution charge for eligible residential customers under the Distribution Rate Protection program, pursuant to section 79.3 of the *Ontario Energy Board Act, 1998* (EB-2022-0186).

Effective for electricity consumed on or after July 1, 2022, the maximum monthly base distribution charge for eligible customers is \$38.08. The DRP amount is not currently shown on utility-specific tariffs of rates and charges; updates to the tariffs are therefore not required. The Decision and Order requires applicable electricity distributors (other than Lakeland Power Distribution Ltd., whose OEB-approved base distribution charge for the former Parry Sound Power service area is lower than the new maximum charge and is therefore not affected by the change) to notify affected customers of the change to the maximum charge given that this is the first change to the maximum charge since 2018.

Yours truly,

Nancy Marconi
Registrar