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VIA E-MAIL AND WEB POSTING

July 20, 2017

To: Licensed Electricity Distributors

Re: **I. Updated Filing Requirements**
II. Process for 2018 Incentive Regulation Mechanism (IRM) Distribution Rate Applications

On October 13, 2016, the Ontario Energy Board (OEB) issued its *Handbook for Utility Rate Applications* (Handbook). The Handbook provides guidance to utilities and stakeholders on applications to the OEB for approval of rates and sets out three rate-setting methods: Price Cap Incentive Rate-setting (Price Cap IR), Custom Incentive Rate-setting (Custom IR) and the Annual Incentive Rate-setting Index (Annual IR Index).

Today, the OEB issued [updates](#) to its *Filing Requirements for Electricity Distribution Rate Applications: Chapter 1 – Overview, Chapter 2 – Cost of Service and Chapter 3 – Incentive Rate-Setting*. These filing requirements outline the information that the OEB requires an electricity distributor to file when it makes an application under the rate-setting methods set out in the Handbook. Working versions of certain models and schedules to Chapter 2 were posted to the OEB's website on July 14, 2017. The remainder will be posted soon. In addition, the rate generator model, which accompanies a Price Cap IR or Annual IR index application under Chapter 3 of the filing requirements, was posted on July 19, 2017.

I. Significant Changes to the Filing Requirements

No substantive changes have been made to Chapter 1 as a result of this year's update.

Changes to Chapter 2 have been made and these will be discussed at the 2018 cost of service Orientation Session to be held on July 25, 2017 for distributors filing for 2018 or 2019 rates.

For discussion of changes to the IRM process as detailed in Chapter 3 and its accompanying rate generator model, a webinar will be held on July 26, 2017, at 10:00 am. Invitations with login information will be sent to IRM applicants via email. Participants are invited to submit any questions in advance to IRM@oeb.ca.

Under the incentive regulation process, generic base rates are adjusted by a mechanism that is defined as an annual percentage change in the Inflation factor less an X-Factor. The formula includes an industry-specific inflation factor and two factors for productivity. One productivity factor is a fixed amount for industry-wide productivity and the other is a stretch factor, which is set each year based on the level of productivity the electricity distributor has achieved. The OEB will establish the final inflation factor and stretch factor to apply to distributors for the 2018 rate year in due course. The rate generator will initially include rate-setting parameters from the 2017 rate year as a placeholder. OEB staff will adjust the rate generator once updated rate-setting parameters are available.

II. Process for 2018 IRM Distribution Rate Applications

As a means of managing the Price Cap and Annual Index applications, the OEB has established four filing dates for distributors. The application filing deadlines for each group were determined so that, in the normal course of events, a decision would be issued in time for a January 1 or May 1 implementation date.

The application groupings are as follows:

Tranche	Application Filing Deadline
1	August 14, 2017
2	September 25, 2017
3	October 16, 2017
4	November 6, 2017

Tranche 1 is for those distributors applying for a January 1, 2018 effective date for rates. Applicants for May 1 rates have been assigned to one of three filing dates based on the expected level of complexity of the application given applicants' responses to a survey conducted in June. The attached table lists the assignment of electricity distributors to each of the tranches.

If a distributor with an effective date for rates of May 1 contemplates a material increase to the complexity of its application relative to the information it provided in the survey, it should advise the OEB and is encouraged to file in Tranche 2.

The OEB expects applicants to submit all filings with the OEB by 4:45 pm on the applicable filing deadline.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary
Encl

Table 1

Company	EB Number	Tranche	Filing Date
Algoma Power Inc.	EB-2017-0025	1	Aug. 14
Brantford Power Inc.	EB-2017-0028	1	Aug. 14
Canadian Niagara Power Inc.	EB-2017-0031	1	Aug. 14
Festival Hydro Inc.	EB-2017-0040	1	Aug. 14
Grimsby Power Inc.	EB-2017-0043	1	Aug. 14
Guelph Hydro Electric Systems Inc.	EB-2017-0044	1	Aug. 14
Hydro One Networks Inc. (Norfolk, Haldimand and Woodstock)**	EB-2017-0050	1	Aug. 14
Kitchener-Wilmot Hydro Inc.	EB-2017-0056	1	Aug. 14
Lakefront Utilities Inc.	EB-2017-0057	1	Aug. 14
Oakville Hydro Electricity Distribution Inc.	EB-2017-0067	1	Aug. 14
Renfrew Hydro Inc.	EB-2017-0072	1	Aug. 14
St. Thomas Energy Inc.*	EB-2017-0074	1	Aug. 14
Waterloo North Hydro Inc.*	EB-2017-0080	1	Aug. 14
Whitby Hydro Electric Corporation*	EB-2017-0085	1	Aug. 14
Atikokan Hydro Inc.	EB-2017-0026	2	Sept. 25
Bluewater Power Distribution Corporation	EB-2017-0027	2	Sept. 25
Energy+ Inc.	EB-2017-0030	2	Sept. 25
Greater Sudbury Hydro Inc.	EB-2017-0042	2	Sept. 25
Halton Hills Hydro Inc.	EB-2017-0045	2	Sept. 25
London Hydro Inc.	EB-2017-0059	2	Sept. 25
Midland Power Utility Corporation	EB-2017-0060	2	Sept. 25
Milton Hydro Distribution Inc.	EB-2017-0061	2	Sept. 25
Rideau St. Lawrence Distribution Inc.	EB-2017-0265	2	Sept. 25
Welland Hydro-Electric System Corp.	EB-2017-0081	2	Sept. 25
Wellington North Power Inc.	EB-2017-0082	2	Sept. 25
Burlington Hydro Inc.	EB-2017-0029	3	Oct. 16
Entegrus Powerlines Inc.	EB-2017-0033	3	Oct. 16
Hearst Power Distribution Company Limited	EB-2017-0046	3	Oct. 16
Niagara Peninsula Energy Inc.	EB-2017-0063	3	Oct. 16
Niagara-on-the-Lake Hydro Inc.	EB-2017-0064	3	Oct. 16
North Bay Hydro Distribution Limited	EB-2017-0065	3	Oct. 16
Northern Ontario Wires Inc.	EB-2017-0066	3	Oct. 16
Orangeville Hydro Limited	EB-2017-0068	3	Oct. 16
Orillia Power Distribution Corporation**	EB-2017-0264	3	Oct. 16
Ottawa River Power Corporation	EB-2017-0070	3	Oct. 16
Veridian Connections Inc.	EB-2017-0078	3	Oct. 16
COLLUS PowerStream Corp.*	EB-2017-0034	4	Nov. 6
E.L.K. Energy Inc.*	EB-2017-0036	4	Nov. 6
EnWin Utilities Ltd.*	EB-2017-0037	4	Nov. 6
Fort Frances Power Corporation*	EB-2017-0041	4	Nov. 6

Kenora Hydro Electric Corporation Ltd.*	EB-2017-0054	4	Nov. 6
Newmarket-Tay Power Distribution Ltd.*	EB-2017-0062	4	Nov. 6
Peterborough Distribution Inc.**	EB-2017-0266	4	Nov. 6
Thunder Bay Hydro Electricity Distribution Inc.	EB-2017-0075	4	Nov. 6
Tillsonburg Hydro Inc.*	EB-2017-0076	4	Nov. 6
Wasaga Distribution Inc.	EB-2017-0079	4	Nov. 6
West Coast Huron Energy Inc.*	EB-2017-0083	4	Nov. 6

* These distributors have indicated in the IRM survey they will be filing an Annual IR Index application.

**These distributors are not filing for a base rate increase.