2018-2022 Custom Incentive Rates Application

Cost Allocation & Rate Design

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Presentation Overview

- Load Forecast
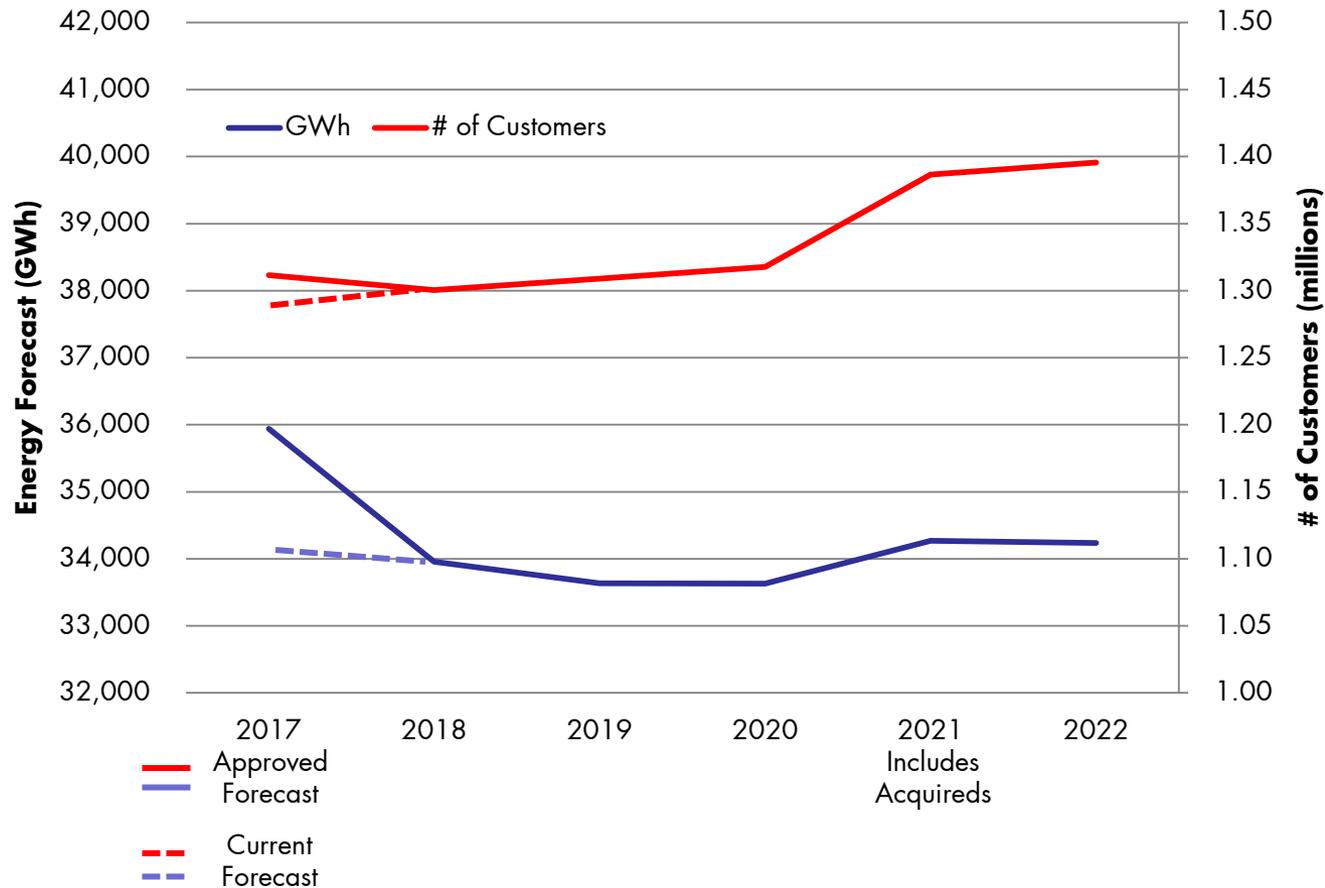- Cost Allocation
- Rate Design
- Bill Impacts

Load Forecast

- Same load forecast methodology used as in previous DX rate cases

- All forecasts are weather-normal

- CDM forecasts are consistent with the current IESO forecast of CDM

- 2018 load forecast (# of cust, kWh, kW) drops relative to 2017 approved values

- Propose to update the load forecast in 2020 for setting 2021 & 2022 rates

2018-2022 Load Forecast

2018-2022 Customer and Load Forecast

Cost Allocation & Rate Design

- Run Cost Allocation Model (CAM) in 2018 and 2021
  - 2018 allocation to HONI rate classes
  - 2021 allocation to HONI and new acquired rate classes

- Design 2018 and 2021 rates consistent with CAM output

- Design rates in 2019, 2020, and 2022 consistent with Revenue Cap approach

2018 Cost Allocation

- Use OEB approved CAM for HONI
  - Includes previously approved adjustments (e.g. breakout of ST assets, density-based classes, treatment of streetlights)
  - Updated rate class load profiles to reflect latest hourly data
- Preliminary results
  - All R/C ratios within Board approved ranges except for Dgen class

2021 Cost Allocation

- Added 6 new acquired rate classes

  - Acquired Urban Residential
  - Acquired Urban GS Energy (<50 kW)
  - Acquired Urban GS Demand (>50kW)

  - Acquired Residential
  - Acquired GS Energy (<50 kW)
  - Acquired GS Demand (>50kW)

- Other acquired customers (e.g. Str and Sen lights, USL, Large User) move to existing HONI classes

- Load forecast, costs and revenues for acquired customers included in CAM

- Factors developed to adjust fixed assets allocated to acquireds:

  – Fixed assets drive allocation of OM&A, NI, Interest and Dep'n

- CAM still being finalized

2018-2022 Rate Design

- 2018 – No R/C adjustment except for Dgen

- 2019, 2020, 2022 - consistent with Revenue Cap approach:

  - Update revenue by rate class as per revenue cap adjustment

  - Adjust R/C ratios, as required (e.g. Dgen)

  - Calculate rates using forecast charge determinants by rate class

- Move to fully-fixed residential rates continues:

  - UR complete by 2020

  - R1, R2, Seasonal complete by 2023

  - All acquired residential by 2020

2021 Rate Design

- Currently being finalized

- Early indications are:

  - Some new acquired class will be below Board approved R/C ranges

  - Propose to phase-in rates rate increases by adjusting R/C so as to limit total bill impacts

  - Acquired customers moving to HONI classes (e.g. lights, USL) will move to HONI rates immediately, but monthly bill credits used to limit total bill impacts

Estimated Bill Impacts

	2018	2019	2020	2021*	2022*
Dx Impacts (%)	5.7%	3.4%	2.5%	2.4%	2.4%
Total Bill Impacts (%) (R1 @ 750 kWh)	1.6%	1.4%	1.3%	1.3%	1.3%

* Will be subject to mid-term update of load forecast & cost of capital

- 2018-2020 and 2022 distribution rate impacts largely consistent across all rates classes

- 2021 distribution impacts more variable across rate classes as revenue shifted per R/C adjustments for new acquired classes

- Approach to shifting revenue as previously approved by the OEB